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THE STUDENT'S GUIDE  
TO ACCOUNTANCY.

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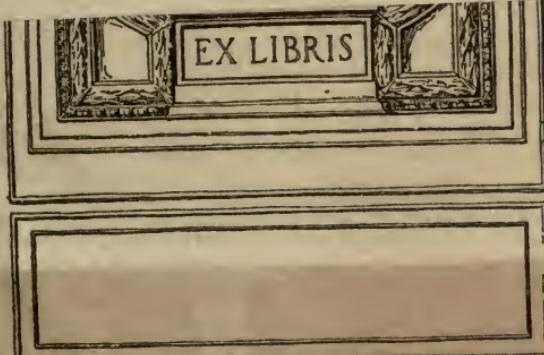
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# THE STUDENT'S GUIDE TO ACCOUNTANCY



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BY

LAWRENCE R. DICKSEE, F.C.A.

(OF THE FIRM OF SELLARS, DICKSEE AND CO.)

*Author of "Auditing,"*

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# THE Student's Guide to Accountancy

## CHAPTER I.

### A SKETCH OF THE ACCOUNTANCY PROFESSION.

ACCOUNTANCY is a comparatively modern institution, and has its rise in the principle of distribution of labour which, during the past century or so, has found increasing favour with all classes of the community, and especially among commercial men.

The earliest authentic evidence of the existence of professional Accountancy dates from the year 1720, and is in connection with one of the numerous side-issues that attended the failure of the South Sea Company, which is, perhaps, better known as the "South Sea Bubble." So far as can be gathered from the contemporary records, the Accountants of those days occupied a very different position from that which they now hold, and with but few exceptions they seem to have been mere teachers of bookkeeping and writing; while our knowledge of the capacity of those who teach bookkeeping and writing in public schools, even at the present day, is certainly suggestive that these earlier Accountants had no special claim to pose as authorities upon the subject of accounts.

We may, no doubt, take it that "Accountants" (as signifying business men who have a special knowledge of accounts and

finance generally) did not exist at so early a period; and, indeed, in the *London Directory* for 1799 we only find the names of eleven so-called "Accomptants," although this latter date is two generations later than that to which we at first referred. In 1809 the number had risen to twenty-four, and in 1822 there were seventy-three Accountants, or firms of Accountants, in practice in London.

It was not, however, until the middle of the present century that any real vitality existed in Accountancy as a profession, but a great impetus was given about this time by the application of the then recent discovery of steam as a motive power to railways, and during the railway mania (1841-1857) there arose a considerable demand for persons skilled in accounts, which gave a great fillip to the profession. At the close of the railway mania, in 1857-8, a reaction would doubtless have set in with considerable force, but for the fact that in the year 1855 the principle of limited liability as applied to joint stock companies was for the first time introduced, while the Companies Act 1862, which gave additional facilities for the formation of limited liability companies, afforded a further field for Accountants' operations, which ever since has been continually increasing. A further scope for the operations of Accountants was afforded by the Bankruptcy Act 1869, and from this time forward the continuance of the profession was assured.

It is a matter for regret that the looseness of the provisions of the Bankruptcy Act 1869 encouraged many persons to become Accountants who not only had no qualifications whatever for the duties which devolved upon them, but further were so devoid of moral principle that their misconduct naturally reflected upon the profession as a whole; and it is no exaggeration to say that accountants are even at the present time suffering from the misdoings of the adventurers of a generation since. Be this as it may, however, from the middle of the present century the profession has continually increased both in numbers and in

importance, and it now occupies a position which, while in some respects perhaps second to the legal profession, is undoubtedly in its own way a far greater power for good and evil.

The presence of black sheep in the midst of this body naturally resulted in the more respectable Accountants forming various Associations for mutual protection, and for the purpose of affording to the public some sort of guarantee as to the standing of those whose services they employed. The earliest of these Associations was the Incorporated Society of Liverpool Accountants, established in 1870, while in the same year the Institute of Accountants of London was also incorporated; in 1871 the Accountants of Manchester followed suit by forming the Manchester Institute of Accountants; in 1873 the Society of Accountants in England was formed, having its headquarters in London; in 1877 the Sheffield Institute of Accountants came into existence; and in 1879 an Association of Accountants of Manchester added to the lists of Accountants' Societies.

Before this latter date, however, the need had been generally felt for some central organisation which would embrace the whole of these Societies and place them upon one uniform footing of qualification, and with this end in view the leading Accountants of London and the provinces met together for the purpose of considering the possibility of applying for a Royal Charter for incorporating an Institute of Chartered Accountants for England and Wales. As may be readily supposed, there were numerous initial difficulties to be overcome; but eventually, thanks to the energy and tact of the original promoters, these were set at rest and application for a Charter was made and shortly afterwards granted on the 11th May 1880.

The incorporation of the Institute of Chartered Accountants in England and Wales marks the commencement of a new epoch in the history of Accountancy in England; by its incorporation was achieved what had become a most urgent need, no less in the interests of the general public than in those of Accountants

themselves. From that date the public had, at least, the guarantee that men described by the titles conferred upon them by the Institute's Charter would be competent to perform the duties and worthy to fulfil the trusts imposed upon them in the exercise of the numerous positions in which they found themselves.

The Institute's regulations conferred upon the Council for the time being the power of admitting as Fellows or Associates of the Institute all persons who, at the date of the Charter, were Fellows or Associates of any one of the Societies already mentioned; and as Fellows all who had been continuously practising for five years before that date; and as Associates all persons who for three years before the date of the Charter had been continuously in practice as Public Accountants, or who for five years before the date of the Charter had been either partly in practice as Public Accountants and partly in the service of Public Accountants as a clerk, or during the whole of that time had been in the service of a Public Accountant as a clerk. It was further provided that all other persons who might seek to gain admission should either pass such examination, as a test of their proficiency, as the Council for the time being might deem expedient, or (after a considerable time had expired) should be required to pass such examinations as might be prescribed by the Council, and, further, to serve a term of articles with a member of the Institute in practice as a Public Accountant.

At the present time the service of articles under a Chartered Accountant in practice is a *sine quā non* for the entrance of newcomers into the profession, and the object of the present work is to afford information to those who may thus seek admission to the membership of the Institute.

The Executive of the Institute consists of a Council of not less than 45 Fellows of the Institute. The original Council was nominated by the petitioners for the Charter of Incorporation, but it is provided that nine members shall retire in rotation each year, and that the vacancies so afforded shall be filled up by the Institute

in general meeting, the retiring members being eligible for re-election. As a matter of fact, such retiring members have hitherto invariably been unanimously re-elected. Casual vacancies upon the Council, caused by death or by resignation, are in accordance with the regulations of the Institute filled up by a vote of the Council.

Members of the Institute are divided into two classes, styled respectively "Fellows" and "Associates." Those who are entitled to be admitted as Fellows have already been mentioned, and it only remains to add that Associates are entitled to apply to the Council that they may be elected as Fellows after they have been in practice for not less than five years.

Fellows are entitled to write after their names the letters "F.C.A.," signifying "Fellow of the Chartered Accountants," and Associates are entitled to the initials, "A.C.A.," signifying "Associate of the Chartered Accountants."

As showing the enormous growth of the Institute during the past 15 years, the following table is appended showing the number of Chartered Accountants in each of the leading towns in January 1881, on the 7th April 1891, and on the 20th May 1896, the date of the last return:—

Towns.		1881	1891	1896
London	...	417	763	984
Manchester	...	126	201	246
Birmingham	...	73	164	183
Liverpool and Birkenhead	...	60	107	131
Sheffield	...	49	65	74
Newcastle-on-Tyne	...	23	40	58
Leeds	...	17	31	43
Bradford	...	14	24	30
Cardiff	...	6	15	25
Leicester	...	12	25	33
Other towns in England and Wales, and Accountants practising in Scotland, Ire- land and abroad	...	228	331	441
Total	...	1,025	1,766	2,248

This preliminary sketch of the history of the profession would be incomplete without some short account of the various Associations which have been formed since the incorporation of the English Institute. Foremost among these Societies of "outside" Accountants must be placed the Society of Accountants and Auditors, an Association which was incorporated under the Companies Acts in 1885 for the purpose of affording the benefits of co-operation to those who were ineligible for admission to the ranks of the Institute. In its earlier days the Society of Accountants and Auditors expressly disclaimed all attempts at rivalry with the English Institute, and was admittedly an association of Accountants' clerks, but after a time it became more ambitious in its designs, and now seeks to claim an equal position with the Institute of Chartered Accountants, although all impartial persons must be prepared to admit that its claim to hold such a position is by no means generally acknowledged. Nevertheless, the Society's regulations as to admission, &c., are at the present time closely allied to those of the Institute, although an essential difference between the two, we believe, is that service under articles is not a *sine quā non* with the Society, nor is it even necessary that the applicant should be carrying on, or should be desirous of carrying on, the business of a Public Accountant.

Yet, on the other hand, it is but fair to admit that the Society includes among its members many competent Accountants of good repute, and the question has been more than once raised, both within the Institute and outside, as to whether it is not desirable that these two great bodies should arrive at some *modus vivendi*, and establish an uniform qualification by which the public might know whether or not an Accountant is really qualified to fulfil the duties appertaining to his profession. The arguments for and against this course will be more fully dealt with in another chapter; but for the moment it will be sufficient to point out that, inasmuch as the profession of Accountancy is one of extreme complexity and difficulty, the five years' probation imposed by the regulations of the

Institute is none too long a period for the acquiring of the necessary knowledge and experience, and that therefore it is beyond question the wisest course for all who may contemplate taking up Accountancy as an occupation to proceed according to the regulations laid down by the Institute in its Charter of Incorporation and to be articled to some Chartered Accountant in practice.

The wisdom of this step must be apparent even to those who may hold the view that in the near future some re-organisation of the profession is inevitable. It is impossible for the profession of Accountancy to be learned in less than five years, and it is equally impossible that it should be learned even in that time unless the student has an opportunity of acquiring that experience of *all* classes of Accountancy business which can only be gained by going through the routine of the office of an Accountant in first-class practice. That being so, and in view of the further fact that almost all the really first-rate firms of Accountants in England are members of the Institute, it will be seen that no possible advantage can be gained by departing from the course laid down by that body, even if it be thought (which is by no means certain) that admission to the Society will eventually lead to admission to the Institute itself. In Accountancy—more, perhaps, than in any other profession—actual experience is absolutely necessary before proficiency can be attained, and, as already stated, the only way to attain that experience, and at the present time the only way to obtain admission to the Institute, is by following the course prescribed by the Institute's Charter. It will therefore be assumed throughout the course of this work that all who intend to make a profession of Accountancy will do so by following the prescribed course of becoming articled to a member of the Institute and presenting themselves in due course for the examinations prescribed by that body, and it will be the object of the succeeding chapters to describe the means by which this course may be most satisfactorily pursued.

## CHAPTER II.

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### ON BEING ARTICLED.

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SUBJECT to the modifications introduced in the earlier years of the Institute, and which no longer apply to new entrants into the profession of Accountancy, it is necessary that all who now aspire to become Chartered Accountants should serve under articles with a member of the Institute. This is provided by clause 12 of the Charter, which states that "No person shall be allowed to "present himself for the Final Examination under this our Charter "unless he has served for five years at the least as a Public "Accountant's clerk, or if he shall have graduated in any of the "Universities of our United Kingdom for the time being, then "unless he has served three years at the least as a Public Accoun- "tant's clerk; and in the case of all examinations held after the "expiration of five years, or in the case of graduates as aforesaid "three years, from the time when the first Bye-Laws made under this "our Charter come into operation, service shall mean service under "articles to a member of the Institute." It will thus be seen that for all practical purposes it is now necessary that the student should become articled to a member of the Institute for a term of five years, except in the case of graduates, who may serve for a reduced term of three years. It is probable that this concession to graduates has been made with a view to encouraging a University education upon the part of Accountants; and the encouragement afforded is substantial, seeing that it is open to anyone to graduate at a University and to pass through his articles to a Chartered Accountant in six years, which is only one year longer than the non-graduate would require. On the other hand, as we have

pointed out in the previous chapter, five years is none too long a term in which to learn all the ramifications of an Accountant's business ; and if, therefore, time is an object it seems desirable not to graduate but to at once be articled.

The next question that naturally arises is the choice of a member of the profession to whom to be articled, and in this connection it seems desirable to point out that it is by no means in every Accountant's office that thorough proficiency can be gained in all branches of Accountancy work. The actual range of business conducted in Accountants' offices may be stated as follows :—

1. Opening books.
2. Writing-up books.
3. Keeping books.
4. Auditing.
5. ·Secretaryships.
6. Directorships and Managerships.
7. The keeping of Executorship and Trust Accounts.
8. Investigations on behalf of new companies.
9. Investigations on behalf of shareholders of companies when the position is unsatisfactory.
10. Finance and company promoting.
11. Receiverships.
12. Liquidations.
13. Bankruptcies.
14. Special managerships.
15. Preparation of statements of affairs in bankruptcies and company liquidations.
16. Trusteeships under private arrangements.
17. Reconstructions of companies.
18. Arbitrations.

It will thus be seen that this opens a very wide field with which the student will require to make himself acquainted. The various classes of work may, however, be grouped as follows :—

1. Work required in a knowledge of accounts.
2. Work requiring a knowledge of business methods and practice.
3. Work requiring a knowledge of commercial law.

The difficulty in selecting an office in which to be articled consists in that, leaving upon one side the very largest firms of Accountants, it will be found that there are very few who do not, to a great extent, concentrate their energies upon one of these groups. Thus some Accountants are chiefly concerned with audits and the opening and writing up of books; others devote themselves to secretaryships, directorships, and company promotion; while others again find their chief practice in bankruptcies and company liquidation. It is hopeless for the student to expect to obtain a thorough acquaintance with *all* the ramifications of an Accountant's profession in such offices as these, and consequently it is very desirable that, at the outset, careful enquiry should be made as to the precise *extent* of the practice of the Accountant with whom it is contemplated entering into articles. On the other hand, the offices of Accountants in a very large way of business present the obvious disadvantage that in the nature of things it is impossible for the principal to give any personal attention whatever to the articled pupil. His time is so occupied with important matters that this is necessarily left to one of the managing clerks, and that managing clerk will naturally only have charge of one department; so that, for all practical purposes, it would have been better for the student to have been articled to an Accountant whose main practice lay in one particular direction, seeing that, even if he be articled to an Accountant carrying on a very large and varied business, he is not likely to obtain familiarity with more than one department in that business.

What should be aimed at, rather, is the medium class of practice in offices which are neither too small to allow the student an opportunity of acquiring familiarity with all classes of business, nor yet so large that it is necessary, in the ordinary course of office organisation, to place him permanently in one department. There are further advantages in adopting this course, which will be duly dealt with in a later chapter, but for the moment it is sufficient to say that it is only in offices of medium size that the student is ever really likely to become practically acquainted with every branch of Accountancy, and, obviously, it is in the highest degree undesirable that his acquaintance with every branch should be of a purely theoretical nature.

Little definite information can be given with regard to the terms upon which Accountants are prepared to receive articled pupils; but, speaking generally, it may safely be laid down that in all cases a premium will be required, and only a small salary will be paid during the term of articles. To a considerable extent the amount of the premium and of the salary will depend upon the ability and promise of the proposed pupil, but still more will depend upon the position of the Accountant with whom articles are to be entered into. It may, however, for general purposes, be laid down that the premium varies from 100 to 300 guineas, and that the amount of salary will vary from nothing up to such an amount paid during the last two or three years of the articles as will entirely absorb the premium paid. A very usual arrangement with high-class firms is to fix the premium at from 250 to 300 guineas, and the salary paid during the course of the last three years at about £100 or £150.

The Institute has prepared a form of articles for the use of those who may agree to its terms, and this form will be found in an Appendix to the present work. It is noticeable that no provision is there made for the payment of any salary.

Before leaving this subject, it would be well to point out that, although it is impossible to give any definite information upon the

amount of premium that will have to be paid, it may safely be stated that it is not nearly so heavy as the premium which will be required by a firm of solicitors of equal standing in their profession ; while a further point, which ought not perhaps to be altogether lost sight of, is that the stamp duty upon the articles of clerkship to a solicitor in England or Ireland is £80, whereas with articles of clerkship to a Chartered Accountant the duty has now been reduced to half-a-crown.

It is also well worth consideration that the crucial question is not so much what is the actual amount of premium payable as what will be the probable return for the money which has been so expended, and in taking this point into consideration it is not only necessary to consider what facilities will be afforded to the student, both by personal attention and by the ordinary experience of office work in that particular office, but there is the further point, namely, the position which the articled clerk will one day inherit as having received his training in the office of such-and-such an Accountant.

It must be remembered that before articles of clerkship can be entered into, it is necessary that the student should either pass the Preliminary Examination prescribed by the Institute, or obtain a certificate of exemption from such examination, and both these matters will be duly considered in the next chapter. Within one month from the date of their execution articles must be lodged with the Council for registration, and any transfers or assignments of any articles (whether caused by the death of the principal or otherwise) must likewise be lodged for registration.

During the term of their articles articled clerks are not allowed to engage in any other business or occupation, unless with the permission of the Council, and it may be taken that this permission will not be accorded save under the most exceptional circumstances.

## CHAPTER III.

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### THE PRELIMINARY EXAMINATION.

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AS already stated, the Preliminary Examination is, under ordinary circumstances, the first formal step which is to be taken by the entrant into Accountancy, and, as a matter of convenience, it is generally desirable that the candidate should present himself for this examination as soon as possible after leaving school, while his mind is still fresh with the various branches of scholastic knowledge which form the subjects of the examination. It frequently happens, however, that it is not until after the candidate has left school for some little time that it is definitely decided that he should take up Accountancy as a profession, and in this case it is often surprising—and by no means gratifying—to parents to find how fleeting the memory is with regard to these scholastic subjects, with which, in the majority of cases, the mind is not occupied at all after the school days are once over.

The examination imposed by the Institute is, in point of fact, rather a serious undertaking (as may be seen by the table of results which is appended to this chapter), and unless, therefore, there is absolutely no doubt upon the subject, it is, under ordinary circumstances, very desirable, in order to save valuable time, to secure the aid of a regular coach in order to make the necessary preparation for the examination with a reasonable prospect of success at the first attempt. It is possible that this preparation may not necessarily engage the whole of the student's time during the intervening period, and if this be the case, it would be as well that arrangements should be made in the meanwhile with the Accountant

to whom it is proposed to article the student, so that the latter may attend at the office for a few hours daily and obtain some little insight into business matters in the meantime. This plan especially commends itself, inasmuch as it is always expedient, from both points of view, that the student should come to the office for a few weeks upon trial before being definitely articled ; and if this can be done before the Preliminary Examination, it is, of course, just so many weeks saved.

The Preliminary Examination, like all the other examinations of the Institute, is held twice in every year, the times being the first week of June and the first week of December. In addition to being held in London, examinations are also held simultaneously in Birmingham, Manchester, Liverpool, Bristol, Newcastle-on-Tyne and Sheffield, if the number of candidates from any of these towns or their immediate neighbourhood renders such a course desirable in the judgment of the Council. As a matter of practice, the examinations in question are usually held in London, Manchester, Birmingham and Liverpool only.

About six weeks before the date of the examination, which is always advertised in both *The Accountant* and *The Accountants' Journal*, it is desirable that the candidate should obtain from the Secretary of the Institute the necessary form giving notice of his intention to present himself for examination. This form must be duly filled up, and, together with the examination fee of £2 2s., must be lodged with the Secretary at least 30 days before the date of the examination. In due course—*i.e.*, seven days before the examination commences—the candidate will receive a formal letter intimating the place and hours of the examination. This letter will have a reference number attached, and constitutes the candidate's admission ticket to the examination room. This reference number must be written on all his work, and on no account must his name appear upon his papers. As, however, the letter in question is accompanied with a detailed list of "instructions" to be observed by candidates, it is unnecessary to go further into the matter here.

The subjects which at the present time constitute the Preliminary Examination are as follows :—

- 1.—Writing from dictation.
- 2.—Writing an English composition.
- 3.—Arithmetic.
- 4.—Algebra, to Quadratic Equations (inclusive).
- 5.—Euclid, the first four books.
- 6.—Geography.
- 7.—History of England.
- 8.—Latin, elementary.
- 9.—And any two of the following subjects, one of which must be a language, to be selected by the candidate :—(1) Latin ; (2) Greek, ancient ; (3) French ; (4) German ; (5) Italian ; (6) Spanish ; (7) Higher Mathematics ; (8) Physics ; (9) Chemistry ; (10) Animal Physiology ; (11) Zoology ; (12) Botany ; (13) Electricity, Magnetism, Light and Heat ; (14) Geology ; (15) Stenography.

In the formal announcements which precede each examination certain limits are sometimes placed upon some of the subjects, and special text books are recommended for the use of candidates. It must be borne in mind, however, that even where text books are recommended the examination is upon the *subject*, and not upon the text books. As an example of the usual scope of these examinations, the questions set at the last examination, viz., June 1896, on the compulsory subjects, are here reproduced :—

### ALGEBRA.

Q. 1.—Find the value of (i.)  $a - [b - \{c + (d - e)\} - f + g]$ , if  $a = -6$ ,  $b = 5$ ,  $c = 14$ ,  $d = -9$ ,  $e = 8$ ,  $f = -4$ , and  $g = -11$  ; (ii.) of  $(5a - 8c - 7x) \cdot (5a - 7c)$ , if  $a = 7$ ,  $c = -5$ ,  $x = 10$ .

Q. 2.—Divide  $2a^4 - 13a^3b + 31a^2b^2 - 38ab^3 + 24b^4$   
 by  $2a^2 - 3ab + 4b^2$ ;  
 and express the quotient in terms of  $x$  and  $y$ , if  $a=x+y$  and  
 $b = \frac{x}{y}$ .

Q. 3.—Simplify—

$$(i.) \frac{ab^2 - a}{b^2c - c^3} \div \frac{ab^2 - 2ab + a}{b^2c - bc^2};$$

$$(ii.) \frac{a^4 + a^2x^2 + x^4}{a^3 - x^3} \div \frac{a^2 - 2ax + x^2}{2a^3 - 3a^2x + 3ax^2 - x^3}.$$

Q. 4.—Find the square root of

$$(a-2x)^2 + (a+2x)^2 - 2(a^2 - 4x^2) + 16a(a+2x).$$

Q. 5.—Solve two of the following equations :—

$$(i.) (8-3x)^2 + (5-4x)^2 = (9-5x)^2 + 20x - 1;$$

$$(ii.) \frac{ax+b}{cx+d} + e = f, \text{ when } a=5, b=-3, c=7, d=1, e=-\frac{5}{6}, \text{ and } f=1\frac{2}{9};$$

$$(iii.) \frac{\sqrt{x+29}}{\sqrt{x+5}} = \frac{\sqrt{x+37}}{\sqrt{x+7}}.$$

Q. 6.—What number is that which multiplied by 5 gives a product as much greater than 24 as the number itself is less than 24?

Q. 7.—Solve the equations :—

$$\left. \begin{aligned} (i.) \quad & \frac{3x+5y+3}{6} - \frac{4x-3y+10}{9} = 3 \\ & \frac{7x-5y+9}{4} - \frac{5x+7y+1}{8} + 2 = 0 \end{aligned} \right\};$$

$$(ii.) \frac{x-1}{a} = \frac{1-y}{b}, \quad \frac{x+y}{a^2+b^2} = \frac{x-y}{a^3-b^3}.$$

Q. 8.—The hands of a watch contain an angle of  $30^\circ$  between 10 and 11. What is the time?

Q. 9.—Solve the equations :—

$$(i.) \sqrt{x-3} + \sqrt{x} = \frac{3}{\sqrt{x-3}};$$

$$(ii.) \begin{aligned} x+y+3 & (x+y)^2=310 \\ \text{and} & xy=21 \end{aligned} \}$$

Q. 10.—A man bought a number of articles for £40 at the same price. He keeps five, and, selling the remainder for £36, gains 8s. on each. How many articles did he buy?

### ARITHMETIC.

Q. 1.—Express as a simple fraction —

$$5 - \frac{\frac{1}{2} \text{ of } \frac{2}{3}}{9} \times \frac{5\frac{1}{4} \text{ of } \frac{1}{9}}{\frac{1}{12}}.$$

Reduce £2 11s. to the fraction of £1 17s. 6d.

Q. 2.—Multiply together 1·3, 1·03, 0·013, and 100·0013.

Q. 3.—The average weight of a crew of 8 men is 11 stone 4 lb.; if 3 of them weigh 32 stone 4 lb., what is the average weight of the others?

Q. 4.—If 13 men can dig a trench 19 yards long, 5 feet broad, and 8 feet deep, in 14 days of 6 hours each, how many days of 8 hours would be required by 91 men to dig a trench of 64 yards long by 19 feet wide and 5 yards deep?

Q. 5.—A person invests £10,850 in the  $2\frac{3}{4}$  per cents. at 110, and, after receiving two years' dividend, he sells at  $105\frac{3}{4}$  (paying  $\frac{1}{4}$  per cent. commission on each transaction) and places the proceeds at interest at 3 per cent. What annual income will he receive therefrom?

Q. 6.—A gold ore contains 8 oz. of gold to the ton of ore. What percentage of gold is found in the ore? [1 lb. avoirdupois contains 7,000 grains troy.]

Q. 7.—Draw, full size, as accurately as you can, a square centi-

metre. Find the weight of a hollow cube of copper the outer edge of which is 12 centimetres, and the thickness of the metal 2·5 centimetres, if a cubic centimetre of copper weighs 8·88 grammes.

Q. 8.—What do you understand by the terms *mortgage*, *debt-duty*, *discount*, *rate of exchange*, *bank-rate*? Find the present value of £10,000 due  $4\frac{1}{2}$  years hence, reckoning 2 per cent. compound interest, payable half-yearly.

Q. 9.—Which is the more profitable way to invest money—to put it into the Post Office, and get  $2\frac{1}{2}$  per cent. interest, or to buy  $2\frac{3}{4}$  per cent. Consols at  $110\frac{1}{2}$ ?

Q. 10.—(i.) Find the value in American dollars of £47 11s. 8d., if £1 = 4·82 dollars. (ii.) If, in Vienna, £1 exchange for 11 florins and 40 kreuzers = 11·4 florins, how many Austrian florins can I get by exchanging 500 American dollars?

### ENGLISH COMPOSITION.

Write an Essay on *one*, but not on more than one, of the following subjects:—

Q. 1.—Dr. Jameson's raid into the Transvaal: its pretext and its consequences.

Q. 2.—Day Schools or Boarding Schools; which are preferable, and why?

Q. 3.—The Life and Work of Stephen Langton or Francis Bacon.

### GEOMETRY.

Q. 1.—Prove that, if two triangles have two sides of the one equal to two sides of the other, each to each, and the contained angles equal, the bases are also equal.

Q. 2.—Show that the distances of the ends of the base of an isosceles triangle from the opposite sides are equal to one another.

Q. 3.—Define *parallel straight lines*. Show how to draw parallel lines by use of a straight edge and set square. By what propositions in Euclid may it be proved that the lines so drawn are parallel?

Q. 4.—If two opposite sides of a quadrilateral have a common perpendicular bisector, prove that the other sides are equal.

Q. 5.—Prove that a triangle is right-angled, if the square on one side is equal to the sum of the squares on the other two sides.

Show that the sum of the squares of the sides of a parallelogram is equal to the sum of the squares of its diagonals.

Q. 6.—Prove that, if a line be divided into any two parts, the rectangle contained by the sum and difference of the two parts is equal to the difference of the squares on the two parts.

Q. 7.—Show how to construct a square equal to a given triangle.

Q. 8.—Prove that the line joining the centres of two touching circles passes through the point of contact of the circles.

Q. 9.—Prove that the angle between a tangent to a circle and a chord through the point of contact is equal to the angle in the alternate segment.

Show how to cut off from a given circle a segment to contain an angle equal to a given angle.

Q. 10.—Prove that a parallelogram inscribed in a circle is a rectangle.

#### HISTORY AND GEOGRAPHY.

(Only *ten* questions to be attempted, including *two* in Geography.)

Q. 1.—What steps did William I. take in the government of England after the Battle of Senlac?

Q. 2.—State all you know about the Crusades.

Q. 3.—What were the provisions of Magna Carta ? What were its principles ?

Q. 4.—Relate the events which culminated at Bannockburn in 1314.

Q. 5.—Explain—Bill of Attainder, Civil List, Chiltern Hundreds, Court of Star Chamber, Excommunication, Fenians, Indulgences, Lollards, Lord Spiritual.

Q. 6.—What were the chief events in the reign of Charles II. ?

Q. 7.—What do you know about the “Canterbury Tales,” “Utopia,” “Hamlet,” “Paradise Lost,” “The Tatler” ?

Q. 8.—Give brief accounts of the Printing Press, the Steam Engine, the Calendar, Penny Postage.

Q. 9.—What colonies or possessions has England lost or ceded ?

Q. 10.—Where are the following places?—Shrewsbury, St. Albans, Rio de Janeiro, Dunbar, Torbay, Prestonpans, Londonderry, Valparaiso, Armagh. Mention *one* fact in connection with each.

Q. 11.—Draw a detailed map of South America, north of Brazil and Peru. What is meant by “the Monroe doctrine” ?

Q. 12.—Mention the chief exports to Great Britain from Colombia, Brazil, Argentina, Chili, Ecuador, and Peru.

Q. 13.—Draw an outline-map of England, showing the harbours, the rivers, and the cathedral towns.

#### LATIN (ELEMENTARY).

Q. 1.—Decline in the singular *vir* and *fides*, and decline *atrox princeps* throughout.

Q. 2.—Give the gender, meaning, ablative singular, and genitive plural of *supellex*, *annis*, *carcer*, *manus*, *vulnus*, *vis*, *seges*, *iudex*, *lex*.

Q. 3.—Give the Latin for—*to another woman*; *of the other man (of two)*; *the twenty-third legion*; *all the best men*; *121*; *seventy times*; *what o'clock is it?*; *by the same ways*.

Q. 4.—How many conjugations are there in Latin? How are they distinguished? Give an example of each in the present subjunctive passive.

Q. 5.—Write down the meaning and the principal parts of *crepo*, *mordeo*, *suadeo*, *foveo*, *diligo*, *augeo*, *sepelio*, *sino*, *saucio*, *amplector*.

Q. 6.—Distinguish *condo*, *abdo*, *addo*, *dedo*, *edo*, *perdo*, *prodo*, *reddo*, *trado*. Mention, with examples, any other meanings of *per-* and *pro-* as verbal prefixes.

Q. 7.—Construct sentences showing how the *price*, the *height*, and the *quality* of an object are expressed in Latin. Translate your examples.

Q. 8.—Give the rules for *Oratio Obliqua*.

Q. 9.—Explain—*sequence of tenses*, *concessive clause*, *composite subject*, *ethic dative*, *reflexive verb*, *elision*.

Q. 10.—Translate into English:—

(a) Non est iam tempus plura narrandi.

(b) “Responde,” inquit, “ubi cadaver abjeceris; ne hostes quidem sepulturam interfectis invident.”

(c) Ita cuique evenit, ut de republica meritus est.

(d) Pompeius dicitur tam studiose pro te laborare, ut etiam filium ad te missurum esse videatur.

Q. 11.—Translate into Latin :—

- (a) There are some men so base as to hate their country.
- (b) After Cæsar's death, the conspirators sent an envoy to the senate.
- (c) If he had arrived, the army would not have been destroyed.
- (d) How many years have we forgotten liberty?

The Preliminary Examination occupies three days, the hours on the first and second days being from 11 to 1, 2 till 4, and 4.30 till 6; on the third day the examination concludes at 4 p.m.

The results of the examination are declared at the first meeting of the Council held after the date of the examination, which takes place on the second Wednesday in the following month, and the list of passes is published in the next succeeding issue of both *The Accountant* and *The Accountants' Journal*. The Institute issues certificates to the successful candidates, and in the case of those obtaining more than a certain number of marks the official list of passes is in the order of merit. In former years all the successful candidates were placed in order of merit, but lately this practice has been discontinued, except with regard to those above the average.

The following table shows the number of candidates at each of the Preliminary Examinations held since the opening of the Institute, together with the number of successes and failures, and the percentage of the latter to the whole :—

DATE OF EXAMINATION.		NUMBER OF CANDIDATES.			Percentage of Failures.	
		Total.	Passed.	Failed.		
1882	June }	..	32	15	17	53·1
	December }					
1883	June	..	41	24	17	41·4
	December					
1884	June	..	42	28	14	33·3
	December					
1885	June	..	39	21	18	46·1
	December					
1886	June	..	44	27	17	38·6
	December					
1887	June	..	39	25	14	35·9
	December					
1888	June	..	67	48	19	28·3
	December					
1889	June	..	61	40	21	34·4
	December					
1890	June	..	46	20	26	56·5
	December					
1891	June	..	55	25	30	54·5
	December					
1892	June	..	82	47	35	42·6
	December					
1893	June	..	108	59	49	45·3
	December					
1894	June	..	113	68	45	39·8
	December					
1895	June	..	118	83	35	29·6
	December					
1896	June	..	125	79	46	36·8

It will be seen that the percentage of failures is sufficiently heavy to show the extreme importance of careful preparation upon the part of the candidate.

It has already been mentioned that under certain circumstances a certificate is granted by the Council exempting the student from the Preliminary Examination. This is provided for under Bye-law 76, which is as follows :—

## PRELIMINARY EXAMINATIONS.

76. Every person desirous of becoming an articled clerk shall, before he is articled, pass a Preliminary Examination to test his general education; save that the following persons shall be entitled to exemption from such examination:—

1. Graduates of any University in the United Kingdom.
2. Persons who have passed the following examinations, viz.:—
  - (a) The "Responsions" Examination at the University of Oxford.
  - (b) The "Previous" Examination at the University of Cambridge.
  - (c) The Examination in Arts for the second year at the University of Durham.
  - (d) The Matriculation Examination at the University of Dublin or the University of London.
  - (e) The Preliminary Examination at the Victoria University, Manchester.
  - (f) The "Moderations" Examination at St. David's College, Lampeter.
  - (g) The Higher Examination of the Oxford and Cambridge Schools Examination Board.
  - (h) The Examination for the First-class Certificate of the College of Preceptors.
  - (i) The Oxford or Cambridge Senior Local Examination.
  - (k) The Oxford or Cambridge Junior Local Examination, provided that the Candidate was not over the age of sixteen when examined.
  - (l) The Examinations for Commercial Certificates of the Oxford and Cambridge Schools Examination Board.  
Victoria University, Manchester.  
London Chamber of Commerce (Higher Examination).  
Manchester Chamber of Commerce (Senior Examination).

(m) The Examinations by the Civil Service Commissioners for First-class Clerkships in the Home Civil Service, and for the India Civil Service; and the Further Examinations for the Royal Military Colleges at Sandhurst and Woolwich.

Provided that, in the case of the examinations referred to in (g) (h) (i) (k) and (l), the candidate shall have passed in the same subjects as those specified in Bye-Law 79; save that in such case a candidate may substitute an additional optional subject for Elementary Latin.

Any person shall, upon satisfying the Council that he has graduated in any of the above Universities, or passed any of the above examinations, be entitled to receive a certificate to the effect that he is exempt from passing the Preliminary Examination of the Institute.

The Council may, by a resolution passed at a meeting specially convened for that purpose, with notice of the object, at which meeting there shall be present not less than twelve of the members of the Council, and for which resolution not less than three-fourths of those present, and voting, shall vote, resolve—

(a) That any one or more of the examinations mentioned in this Bye-Law shall no longer entitle to exemption from the Preliminary Examination; or,

(b) That any other specified examinations besides those set forth in this Bye-Law shall entitle to exemption from the Preliminary Examination. Provided, nevertheless, that the proviso in this Bye-law as to the subjects to be passed shall apply to all such Examinations so added by the Council.

Provided that, notwithstanding anything in these Bye-Laws, all persons who, prior to the 1st August 1891, shall have passed any examinations which, under the first Bye-Laws of the Institute, would have entitled them to certificates of exemption from the Preliminary Examination, shall be entitled to such certificates.

*The following addition to Bye-Law 76 was allowed by the Lords of Her Majesty's Privy Council on the 28th July 1893.*

The Council may, on or before the 30th January 1895, by a resolution passed at a meeting specially convened with notice of the object, at which meeting there shall be present not less than twenty-four of the members of the Council, and for which resolution not less than three-fourths of those present and voting shall vote, resolve that any person, not being under thirty years of age, who at the date of his application shall have been for ten years continuously in service as a clerk to a Chartered Accountant, shall be exempted from the Preliminary Examination.

It must be noted, however, that power is reserved by the Council to vary the list from time to time, and that, therefore, it is very desirable that enquiry should be made at headquarters for exact information upon this point.

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## CHAPTER IV.

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### THE FIRST HALF OF ARTICLES.

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THE regulations of the Institute provide that the Intermediate Examination—which constitutes the second step towards membership—shall not be undertaken until at least half the term of articles has expired; that is to say, in the case of graduates at least 18 months must have elapsed, and in the case of non-graduates at least two-and-a-half years. There is, however, no particular *limit* of time within which this examination must be passed, although it is in the discretion of the Council to refuse to admit a candidate to the examination after a reasonable time has elapsed. In practice it will generally be found that in the case of graduates about two years, and in the case of non-graduates about three years must have elapsed before the student is eligible for the Intermediate Examination, which, as already stated, is only held twice a year.

During this interval the student will, of course, have been in constant attendance at his principal's office, and will have been engaged upon various classes of Accountancy work, which in themselves will constitute more or less of a preparation for the examination in question. The necessary amount of knowledge upon the part of the candidate for this examination will be more fully considered in the following chapter, but at the present time it is proposed to deal more particularly with the matters which are likely to occupy the student during the first half of his service under articles, and to give a few hints as to the manner in which his time may be spent to the best advantage.

The classes of work which are ordinarily undertaken in Accoun-

tants' offices have already been recapitulated; but it is not to be supposed that at this early stage of his career the student will make practical acquaintance with all. On the contrary, as, indeed, is only natural, his experience will in the first place be chiefly confined to the routine work of an Accountant's office, including, perhaps, auditing the more simple forms of accounts under a senior. During the first 12 or 18 months it is probable that the student—particularly if he has had no previous business experience—will be occupied in the most elementary work of the office, such as copying accounts, writing up books, checking additions, calculating interest, and other smaller matters.

It is not impossible that at this stage he may experience a certain feeling of disappointment, and wonder how it is that his work differs so little from that of a mercantile clerk. In due course, however, he will learn to appreciate the vast importance of this elementary training, and in the meantime he must rest content to take it upon trust that in his own interests it will be best for him to do even this monotonous and somewhat distasteful work to the very best of his ability. The two great things which he should aim at in everything that he does, no matter how comparatively unimportant it may appear, are neatness and accuracy. It is probably quite unnecessary to emphasise the extreme importance of accuracy, for it must be obvious, even to the uninitiated, that inaccurate calculations—or, indeed, inaccurate work of any kind—are comparatively valueless, inasmuch as the time of someone more experienced has necessarily to be spent in correcting. With regard to neatness it is, perhaps, desirable to point out that a good style of handwriting is no more to be acquired in a few hours than anything else which is really worth having, and that consequently the student cannot afford to neglect *any* opportunities of practice which may be afforded to him. It may perhaps, however, bring home the importance of this point a little more clearly if it is pointed out that until a really good style of handwriting has been acquired it is absolutely impossible for the principal to allow the student to write in any of

the more important books of any client: in other words, a good style of handwriting is a *sine quâ non* before the student can possibly be put upon any of those branches of work which really afford the most valuable experience.

When the student is a little more advanced, and has acquired sufficient experience to appreciate the extreme importance of these cardinal virtues of neatness and accuracy in every detail of his work, and when he really comprehends the serious and often costly results, both to his principals and his clients, which even an apparently trifling error may cause, the time will have arrived when it is possible for him to be occasionally sent out to assist in audits as a junior clerk. Here still, however, his work must necessarily be of a somewhat monotonous nature, seeing that, at all events for some little time, his duties will consist of checking additions in various books of account, and in assisting the senior in charge of the audit in checking the postings of these various books by calling out the amounts and posting folios. As a rule, the senior takes the Ledger, and it is the duty of the student to "tick" or initial the various items in the subsidiary book as he may be directed. When he has had a little experience in "calling back" postings, he will, if he is up to the work, be able to materially assist his senior, by picking out the various posting folios in numerical order, so that the senior has either to work forwards or backwards, instead of both backwards and forwards. Until, however, he has become thoroughly accustomed to this class of work he will necessarily have to be especially careful that no item is ticked until the senior has passed it as correct. Much more might be said upon these and kindred topics, but it is beyond the scope of the present treatise to deal exhaustively with all the manifold detailed work which necessarily comes before the student in the course of his five years' articles.

After a few months' experience in pure routine work, it is probable that the student, if he is really anxious to get on, will begin to comprehend the scope and the bearing of the various details

of audit work upon which he is engaged, and under these circumstances his senior will, in the vast majority of cases, be only too willing to afford him all the information in his power, if only for the sake of reducing his own labour and responsibilities. In the meantime—and especially because at this period of his articles he will probably have ample opportunities of doing so—the student should make a point of using every spare moment in acquiring a thorough *theoretical* knowledge of the principles of bookkeeping by double entry; when he has sufficiently grasped these principles to always keep in view the main point which underlies every practical system (viz., that every transaction must, somehow or other, be recorded twice in the Ledger, once upon the debit side and once upon the credit), it is probable that, with a little intelligent application and judicious enquiries from his senior, he will make rapid progress with regard to the general principle underlying bookkeeping in *practice*, which it need hardly be pointed out is as different from bookkeeping in theory, as practice and theory are in most other matters.

At this time, too, he should cultivate, as far as possible, rapidity in working, which, second only to neatness and accuracy, is of the greatest possible value. Indeed, in his case it is of particular importance, inasmuch as he will then, under ordinary circumstances, probably have greater facilities for watching his senior completing the various higher departments of an audit, such as providing the necessary percentages for depreciation upon wasting assets, writing off bad debts, distinguishing between capital and revenue charges, and the like; and it is probably not until he arrives at this stage that he will really begin to appreciate the vast difference that exists between theoretical and practical bookkeeping.

In addition to a thoroughly sound knowledge of book-keeping, it is necessary for anyone who aspires to the position of a capable Accountant, to possess a very large measure of business knowledge and acumen. It is indeed probable that in

no other vocation are so many and such varied business qualities called for as in that of a professional Accountant. It may truly be said that there is hardly a single branch of knowledge which is not of value to him, more particularly in connection with the details of manufacturing and trading concerns. It is absolutely necessary that he should be fully conversant with the law and the practice which governs the relations of such undertakings with their customers and creditors; and with regard to manufacturing undertakings it is certainly equally desirable, if less imperative, that he should have at least a general knowledge of the various processes through which the raw material passes in the course of its manufacture. At first sight this may appear to be a somewhat extreme view to take, but in this connection it is important to remember that unless the Accountant is able to talk with the manufacturer about his own business with at least some show of knowledge thereon, in nine cases out of ten his opinion, even upon points of account, will carry little weight.

With regard to purely financial undertakings, the same general principle holds good. A knowledge of the principles of the law and practice of banking and finance generally, and more particularly of Stock Exchange transactions, is simply invaluable to an auditor, although, of course, it is not vitally essential in order to enable him to verify the accounts which may be submitted for his approval. Similarly, if he is called upon to audit the accounts of some local authority, he will find that a large amount of legal knowledge (which hitherto may perhaps have entirely escaped him) is now requisite, and in particular he will require to look into such matters as a sufficiency of the sinking fund raised for the redemption of loans, and here a knowledge of mathematics, and especially algebra, is all but essential. In short, if the student aspires to become one day a thoroughly competent Accountant, he must lose no opportunity of acquiring knowledge of any kind wherever the chance may occur; and it may even be added that it is almost impossible for him to acquire *any* knowledge which will not, in some manner and

at some time, be found profitable to him in the pursuit of his varied avocations.

So far, attention has been confined to those branches of Accountancy which are more or less based upon the keeping of accounts; but, as has been stated in the previous chapter, these form only a fraction of the occupations of an Accountant in general practice. A very vast field is covered by matters more or less directly bearing upon the insolvency of companies or of individuals, and with this class of work also the student will probably become acquainted during the earlier years of his articles. The especial requisite for this branch is a complete knowledge of the various statutes bearing upon the matter, as, for example, the Bankruptcy Acts of 1883 and 1890, the Deeds of Arrangement Acts of 1887 and 1890, the Companies Acts 1862 to 1890, and the Conveyancing Act of 1881. In dealing with this class of work, the student will necessarily come into very close contact with what may be called the *seamy side* of human nature, and in the first instance it is not improbable that he will find the work somewhat uncongenial; but, like everything else he will come across in the course of his articles, it will afford him very many valuable object lessons, not the least important being a very considerable insight into human character, which in the long run cannot fail to give him a facility for dealing successfully with all classes of persons with whom he may have business relations.

It might almost be said that the treatment of the accounts of deceased persons forms in itself a separate and distinct branch of Accountancy, but this appears to be only true so far as the law is concerned; and here, indeed, there will be much for the student to learn. The accounts themselves, however, in spite of what some few persons may say to the contrary, are in the vast majority of cases simplicity itself compared with those of a large manufacturing undertaking, the chief distinction being that as a rule the work of the Accountant will be to *keep*, rather than to audit, these accounts, and that consequently until the student has really acquired a good

style of handwriting it is probable that his principal will not be able to afford him facilities for acquiring experience in this important branch of his profession.

The various matters which have been shortly dealt with in this chapter will probably constitute the bulk of the student's experience during the first years of his articles, and if he has shown himself apt to learn it is probable that his experience, unaided by any special preparation beyond careful reading, will be sufficient to enable him to face the examiners when the time for his Intermediate Examination approaches; but inasmuch as practice, like theory, is not everything, it is desirable that he should not altogether neglect the latter, but should even in the earlier years of his articles join one of the numerous Students' Societies which are to be found in every important town, and make a point of regularly attending every meeting thereof. Not only will he thus hear many valuable lectures from experts upon various subjects, but he will also have an opportunity, which he should in no wise neglect, of acquiring at this early stage in his career a personal acquaintance with his contemporaries in accountancy, and a facility for speaking before others which is so absolutely essential an accomplishment of the successful practitioner.

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## CHAPTER V.

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### THE INTERMEDIATE EXAMINATION.

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AS has been already stated, the articled clerk must present himself for this examination after at least one half of the term of his articles has expired; it will, however, be only wise for him to commence preparing therefor at least six or eight months before the examination actually comes off. If the opportunities of gaining experience afforded to him in the office have been both ample and general, it is probable that he will be able to prepare himself without any further assistance than that afforded by the available text books, together with such hints as he may be able to obtain from his seniors in the office and from his principal; but where for any reason his opportunities have been somewhat restricted—either to one or more of the departments into which the occupation of an Accountant divides itself, or to the more rudimentary work in connection with the various departments—it will probably be well worth his while to secure the services of a "coach," either for the legal subjects alone, the Accountancy subjects alone, or even for both.

It is important to remember that, inasmuch as an interval of at least two years (or one year in the case of graduates) must elapse before the student who has passed the Intermediate Examination can present himself for the Final Examination, failure to pass the Intermediate at the first attempt probably delays the passing of the Final Examination until after his term of articles has been completed, and thus has the effect of losing a clear six months before he is in a position to really start his career as an Accountant. That being so, it is very desirable

—other considerations apart—to make a serious attempt to succeed upon the first occasion ; but it is even worth while to go further than this, and not merely work with the idea of *passing* the Intermediate Examination, but also to (so far as possible) lay by a store of knowledge which will not only prove useful during the remainder of the term of articles, and thus improve the student's position in his principal's office, but also materially reduce the amount of preparation which will eventually be necessary for the Final Examination. This latter consideration is, if anything, the more important of the two, inasmuch as the preparation for the Final Examination will, even under the most favourable circumstances, be a serious matter ; while, the student being at this period of his articles far more useful in the office, it is only to be expected that his time will be more fully occupied, and thus he will have less time available to devote to actual preparation for the examination.

From every point of view, therefore, it is very desirable that the candidate for the Intermediate Examination should be well prepared, and in order to secure this end it is desirable to start reading in good time. This particularly applies to those who are reading for the December examination, for they will have to reckon for the fact that the vacation intervenes, and it is undesirable that this should be curtailed on the eve of a period of protracted and serious work.

During the earlier years of the Institute's career the Intermediate Examination occupied three days, and covered precisely the same subjects as the Final Examination ; but since 1884 two of the law papers have been omitted, and the examination now occupies two days. The subjects of the papers (two of which are set each day) are as follows :—

Bookkeeping and Accounts (including Partnership Accounts).

Bookkeeping and Accounts (including Executorship Accounts).

Auditing.

The Rights and Duties of Liquidators, Trustees, and Receivers.

The examination is ordinarily held on the Tuesday and Wednesday in the second weeks of June and December, but when (as is sometimes the case) the Whitsuntide holidays occur during the first week in June the Preliminary Examination is postponed until the first three days of the second week, and the Intermediate Examination takes place on the following Thursday and Friday. Ample notice of the dates of the examinations is, however, always given in *The Accountant* and *The Accountants' Journal*.

The Institute publishes a list of works recommended to candidates for the examinations, but as no distinction is made between the Intermediate and Final Examinations, and as, moreover, the list has not been revised for many years, notwithstanding the fact that the works available to students have been quadrupled during that period, it may profitably be supplemented by the following list:—

- Dicksee's *Bookkeeping for Accountant Students*, price 10s. 6d.
- Whinney's *Executorship Accounts*, price 5s.
- Pollock's *Digest of the Law of Partnership*, price 8s. 6d.
- Dicksee's *Auditing*, price 15s.
- Eustace Smith's *Summary of Company Law*, price 9s.
- Stevens' *Bankruptcy*, price 5s.

All the above may be obtained from Messrs. Gee & Co., 34 Moorgate Street, London, E.C.

It is probable that those who read this work merely for the purpose of gauging the difficulties of entering the profession of Accountancy and the rewards which it offers when once the necessary qualifications have been acquired, will derive but little information from any detailed consideration of the various technical subjects selected by the examiners; but those who, having embarked upon the profession, use this work as a guide to assist them in their studies, will doubtless desire to have some more definite knowledge than a mere list of subjects as to what is required of them at each

of the examinations, and for this purpose the questions set at the last Intermediate Examination—namely, that of June 1896—are reproduced here. They are as follows :—

BOOKKEEPING AND ACCOUNTS  
(INCLUDING PARTNERSHIP ACCOUNTS).

Q. 1.—Upon the conclusion of several voyages of a trading vessel it was found that a net profit had been made of £2,750, and it was decided to distribute the whole of this amongst the owners, each of whom held one share. How much would each receive ?

Q. 2.—A firm of three partners divided their profits as follows :—

A.,  $\frac{11}{5}$ ths ; B.,  $\frac{8}{5}$ ths ; C.,  $\frac{6}{5}$ ths.

By their partnership deed it was provided that in the event of the death of either, the survivors should take the deceased's share in the proportions which they already shared the profits. A. dies. What proportion of the profits would B. and C. respectively take afterwards ?

Q. 3.—What items should enter into the Trading Account of a warehouseman or shopkeeper to show his gross profit, and what kind of items should appear in the Profit and Loss Account in continuation of such Trading Account ?

Q. 4.—Describe the way in which it is usual, with bankers for instance, to determine the periodical interest accruing from day to day on customers' accounts.

Q. 5.—Draft forms for Bills Payable Book and Bills Receivable Book respectively.

Q. 6.—What is the common method of provisionally determining trading results in an ordinary wholesale or retail trader's business, having numerous Bought and Sold Accounts, without waiting for actual agreement of the Bought and Sold Ledger balances ?

Q. 7.—What is the difference between single entry and double entry?

Q. 8.—The Cash Book of a firm showed at a given date a balance available at their bankers of £2,340 3s. 2d. Their bankers' Pass Book, however, showed only £2,002 4s. 6d. at credit, the firm having paid in cheques on Manchester for £420 3s. 10d., a cheque on Birmingham for £205 7s. 8d., and cheques on Portsmouth for £190 8s. 9d., which had not been collected by the bankers, and having issued various cheques, as follows, which had not been presented for payment, viz.—in favour of John Everitt, £40 3s. 6d.; Edward Roberts, £80 6s. 1d.; Peter Simkin, £10; Alfred Styles, £117 0s. 2d.; Robert Thompson, £16 14s. 7d.; Thomas Stevens, £48 7s. 6d.; Charles Edwards, £69 11s. 9d.; Richard Higgins, £30 5s.; Timothy Richards, £25; Edgar Smith, £40 13s. Prepare a statement reconciling the Cash Book and the Pass Book.

Q. 9.—A publishing firm, the partners in which, F., G., and H., shared profits equally, agreed, as from the date of the Balance Sheet, which is appended, to admit a fourth partner, I., to take an equal share, who was to bring in £10,000, and, in addition, pay £5,000 for goodwill, which the other partners were to be entitled to in equal portions and were to leave in the business. It was stipulated that from the book-debts should be deducted  $3\frac{1}{2}$  per cent. for contingency of bad debts, and then an allowance of  $2\frac{1}{2}$  per cent. for cash discount. The Stock was to be taken at a discount of  $6\frac{1}{4}$  per cent. from the Balance Sheet figures, and the copyrights, printing plant, fixtures and furniture, and the leasehold premises were to be taken at valuation—and they were valued respectively thus: Copyrights, £55,000; printing plant, £17,200; fixtures and furniture, £1,275; and leasehold premises, £8,500. The other Assets and Liabilities (as shown in the following Balance Sheet) were to be accepted as there appearing.

F., G., &amp; H.

BALANCE SHEET, 31ST DECEMBER 1895.

Dr.

				£	s	d
To Creditors, on open account	..	..	..	4,665	0	0
,, Cash Creditors, on deposits	..	..	..	2,500	0	0
,, Bills Payable ..	..	..	..	15,050	0	0
,, Partners' Capital	..	..	..	73,860	0	0
at credit of F.	..	..	..	<b>£28,700</b>	0	0
" " G.	..	..	..	20,450	0	0
" " H.	..	..	..	24,710	0	0
				<hr/>		
				<b>£96,075</b>	0	0

Cr.

				£	s	d
By Cash in hand and at Bank	..	..	..	950	0	0
,, Bills Receivable ..	..	..	..	510	0	0
,, Book Debts, current accounts	..	..	..	7,470	0	0
,, Stock ..	..	..	..	6,045	0	0
viz., Printed Books ..	..	..	..	<b>£4,000</b>	0	0
Ink, paper, and binding	..	..	..	2,045	0	0
				<hr/>		
,, Copyrights ..	..	..	..	51,400	0	0
,, Printing Plant ..	..	..	..	18,300	0	0
,, Leases ..	..	..	..	9,600	0	0
,, Fixtures and Furniture ..	..	..	..	1,800	0	0
				<hr/>		
				<b>£96,075</b>	0	0

Prepare a new Balance Sheet, giving effect to the alterations and to the single transaction which had taken place, namely, the payment into the bank by I. of £15,000.

Q. 10.—A firm disposed of its business to a limited company. Attached to the agreement for sale and purchase were schedules (which follow) explanatory of the assets and liabilities of the firm taken over and adopted, respectively, by the company. The company further agreed to pay for goodwill, a year and a quarter's purchase of the average profits of the last three years, which were, respectively, £6,524, £7,490, and £10,130. There were four partners in the firm, at whose credit, irrespective of the goodwill,

there stood the following sums :—No. 1, £29,100 ; No. 2, £24,700 ; No. 3, £30,600 ; No. 4, £30,466.

Prepare their Balance Sheet, introducing the goodwill they were entitled to receive from the company as an asset, and distributing it equally amongst the four.

#### SCHEDULE 1.

Freehold and Leasehold Premises, more particularly described in the first part of Clause 1 of the foregoing Agreement	..	..	..	..	£25,000
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#### SCHEDULE 2.

Plant, Machinery, Fixtures, Furniture, Chattels and Effects referred to in the second part of Clause 1 of the foregoing Agreement	..	..	..	£7,667	
					£32,667

#### SCHEDULE 3.

Stock in Trade, 31st December 1894	..	..	£30,188
Book Debts do.	..	..	65,736
Bills Receivable in hand do.	..	..	7,401
Cash Balances do.	..	..	3,406
Horses, Carts and Vans do.	..	..	246
Unexpired Insurances do.	..	..	35
			£107,012

#### SCHEDULE 4.

Trade Liabilities	..	..	..	£24,813
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## AUDITING.

Q. 1.—When attending to audit the accounts of a company for the first time, what books and documents would you require to be produced ?

Q. 2.—How would you audit the Cash Account of an institution, the income of which was derived from life subscriptions, annual subscriptions, donations, collections, and dividends ?

Q. 3.—What books are usually kept by a company to record the details of its share and loan capital, and what are the duties of an auditor in relation thereto ?

Q. 4.—In your opinion is there any satisfactory method of auditing accounts not kept by double entry? If so, illustrate the same.

Q. 5.—How should the results of an English company's business abroad—worked in various currencies—be incorporated with the Head Office Accounts in London? What would be your requirements as an auditor in connection therewith, and what would be the nature of your certificate?

Q. 6.—In the case of a gold mining company, large sums are expended for purchase-money, development, plant and machinery, and working charges. Ore is raised, crushed, and the gold sold. How would you ascertain the net profits?

Q. 7.—What, in your judgment, is the value of a Bank Pass Book for audit purposes? To what extent would you take it as a voucher for Cash Book entries, or for the balance carried forward?

Q. 8.—In your examination, as auditor, of securities consisting of bonds to bearer, inscribed stocks, certificates for shares, and bills receivable, what would be your method of procedure, and what main object would you have in view?

Q. 9.—The detail of an audit includes the examination of vouchers of all descriptions. What would you deem proper vouchers for the following:—Purchases, Sales, Journal entries, Cash receipts, Cash payments, Petty expenditure.

Q. 10.—Give your definition of the term "Depreciation." Illustrate its bearing upon accounts representing investments in "Stocks and Shares," "Buildings," "Leases," "Plant and Machinery," and "Profit and Loss."

#### BOOKKEEPING AND ACCOUNTS

(INCLUDING EXECUTORSHIP ACCOUNTS).

Q. 1.—Give a brief but clear sketch of the end to be kept in view in the adoption of any system of Bookkeeping to any trading

or manufacturing business. Are there any details called for in the latter which are not necessary in the former?

Q. 2.—Enter the following transaction in the books of J. Park, of Derby, a colliery proprietor :—

January 1st 1896. Sold to W. Peckham, London, 12 trucks house coal, net, 96 tons 10 cwt. at 9s. 3d. ; wagon hire, 6d. per ton; and railway dues, 2s. 9d. per ton. On the receipt of invoice, Peckham remitted cheque to Park for £30, and his acceptance at three months for £30 6s. 3d., dated 6th January.

Q. 3.—What is the difference between a bill of exchange and a promissory note? Give a specimen of each.

Q. 4.—Sketch a bill of exchange drawn in Bombay on a London house at 50 days' sight for 2,500 rupees, and dated the 1st January last. Assuming the bill to have arrived in London on the 1st February, and to have been presented [for acceptance the same day, on what day did the bill become due?

Q. 5.—How would you treat consignments (1) in the books of the consignor, and (2) in the books of the consignee? Give specimen entries.

Q. 6.—F. Palmer and J. Harrison bought from Jones & Co. their business as engineers and wire drawers, for the sum of £4,000; of which £2,500 was subscribed by Palmer, and £1,500 by Harrison. They each subscribed as working capital the sum of £500. The property taken over was as follows :—

Leasehold Premises, of which a term of 15 years was unexpired	...	...	£1,350
Wire Drawing Patent, of which 10 years had still to run...	...	...	900
Plant, Machinery, Fixtures, and Fittings			1,250
Office Furniture	...	...	50
General Stock, Stores, &c.	...	...	450
			<u>£4,000</u>

The transfer of the business was effected on the 1st January 1892, and the deed of co-partnership provided that the shares were to be equal, that each partner should draw out weekly, in respect of profits, the sum of £8, and that interest at 5 per cent. per annum should be credited to each upon the amount of capital subscribed. The accounts were to be made up yearly, but this was not carried out. At the close of the year 1894, it was arranged that stock should be taken, the books made up, and a Profit and Loss Account and Balance Sheet made out, simple interest being charged on capital. The Trial Balance of the books was as follows:—

	£ s d		£ s d
Leasehold Premises	1,350 0 0	F: Palmer, Capital	3,000 0 0
Wire Drawing		J. Harrison, Capital	2,000 0 0
Patent	900 0 0	Sales	... ... 4,750 0 0
Machinery, Plant, &c.	1,250 0 0		
Office Furniture	... 50 0 0		
Stock, 1st January 1892	... 450 0 0		
Purchases	... 2,850 0 0		
Wages and Work- ing Expenses	... 1,318 0 0		
City Banking Com- pany	... 750 0 0		
F. Palmer	... 416 0 0		
J. Harrison	... 416 0 0		
	<hr/> <hr/> £9,750 0 0		<hr/> <hr/> £9,750 0 0

The business being a purely cash business, there were no liabilities to creditors, nor any assets in the shape of book debts, but the stock, as taken, amounted to £820; it will be seen, however, that nothing had been written off by way of depreciation.

Prepare a Profit and Loss Account, with General Balance Sheet showing the exact position of the firm at the 31st December 1894.

Q. 7.—In the event of a person dying leaving real and personal estate and a will appointing executors and trustees, and you being called in as accountant to advise, what steps would you take to enable the executors or their solicitors to prove the will, and manage and realise the estate ?

Q. 8.—What is an administration, and to whom can letters of administration be granted, and is there any precedence given by the authorities at Somerset House, to parties applying for such grant ?

Q. 9.—William Johnson died on 19th February 1895, leaving, by his will, his household furniture, plate, linen, &c., valued at £1,250, and a deposit of £1,500 in the Bank of England to his wife absolutely, and appointing her sole executrix; but the rest of his estate, real and personal, he left to her for life, and to her children in equal shares at her death. The estate was as follows :—

Real estate	...	...	...	£12,500
2 $\frac{3}{4}$ per cent. Consols (1903)	...			7,000
New Zealand 4 per cent. Consols	...			5,000
India 3 per cents. (1948)	...	...		5,500
<hr/>				Total £30,000
<hr/>				

There were rents falling due on the 25th March amounting net to £211 10s. 6d., and the dividends from the Consols and the India Three per cents. were payable quarterly on the 5th January, April, July, and October, and on the New Zealand stock half-yearly on the 1st May and the 1st November. The will was proved by the widow, and the duties and attendant costs, amounting to £1,250, were duly paid by her. Open by Journal entry a set of books showing the exact position of the estate on the 1st May, the date upon which the New Zealand stock dividend was paid, having regard as well to the present interests of the widow as to the future interests of her children.

Q. 10.—A colliery company acquires a lease of a mineral area for a term of 60 years at a minimum certain rent of £500 per annum,

merging into a royalty of sixpence per ton on coal worked in periods, each of three years. Assuming the royalties on coal worked during the first year amounted to £100, in the second year to £400, and in the third year to £700 (leaving £300 of certain rent forfeited), make the necessary Journal and Cash Book entries and post to Ledger Accounts, on the basis of the first two years' rent having been paid at the end of each year, and the rent of the last year being unpaid ; showing the proper amount chargeable to Profit and Loss in each year.

#### RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES, AND RECEIVERS.

Q. 1.—What periodical returns has a liquidator of a company in voluntary liquidation to make to the Board of Trade?

Q. 2.—Before deciding upon the amount of a dividend about to be declared for the unsecured creditors of a company in liquidation, for what purpose should the liquidator retain an amount in hand, and how should he determine such amount ?

Q. 3.—When a liquidator continues to carry on the business of a trading company on its going into liquidation, what statutory duties are imposed upon him by the Companies (Winding-up) Act 1890 ?

Q. 4.—Give six examples of acts which a liquidator of a company which is being wound up by the Court has power to do on his own authority.

Q. 5.—Should the winding up of a company not be concluded within a year after its commencement, what statutory duties are imposed on the liquidator ?

Q. 6.—What is meant by the "public examination" of a debtor, and what are the powers of a trustee in bankruptcy in respect to such public examination ?

Q. 7.—What books have to be kept by a trustee in bankruptcy?

Q. 8.—What are the obligations of a trustee in bankruptcy with respect to moneys collected by him?

Q. 9.—Under what circumstances will a special manager be appointed? By whom, and in what manner, is the appointment made?

Q. 10.—Give the ordinary form of Cash Account kept by a Receiver in Chancery.

It is important to bear in mind that not only are the questions themselves different at each examination, but also the extent of the subjects covered by them are subject to a like variation. Indeed, it may be added that the standard of knowledge implied by these questions is by no means uniform, seeing that papers have been set at some Intermediate Examinations containing questions of greater difficulty than others set at the Final Examination upon a different occasion. In general terms, it may be stated that in order to secure success at the Intermediate Examination the candidate is required to be a skilled bookkeeper, having a thorough knowledge of the general principles of double entry, and some (but not an exhaustive) acquaintance with its application to the special requirements of different classes of industry. He is also required to possess an intimate acquaintance with the straightforward propositions of the law relating to bankruptcy and the liquidation of companies, together with a slight knowledge of the law relating to receiverships; it is not necessary, however, that his legal knowledge should extend to abstruse and doubtful questions of law. In addition, he will require to be thoroughly acquainted with the general principles of auditing, in so far as these might be acquired by an intelligent clerk who had under his principal the sole control of the audit of one or two simple sets of accounts, and who had assisted a senior in more difficult audits; while it is not unlikely that, in addition, he will be expected to have some theoretical know-

ledge of the principles upon which even more advanced audits should be conducted. These principles, however, may be readily gathered from the text books, provided the candidate has already a good practical acquaintance with the groundwork of auditing.

Next important to a careful preparation, such as that which has been indicated above, is that faculty which is generally—but perhaps inaccurately—known as “being lucky at examinations.” The element of chance does certainly come in to the extent that questions on more or less remote subjects are sometimes asked, which, of course, are naturally more familiar to some candidates than to others, but these are hardly of sufficient occurrence in the Accountancy subjects to be taken into consideration, although, perhaps, they do apply more in the legal paper. What is so frequently inaccurately described as “luck at examinations” is, indeed, nothing more than clear-headedness, combined with a certain knack of being able to do one’s best at the times when it is most important that the best should be done; and in so far as this faculty can be brought out at an examination it is perfectly legitimate for the examiners to attempt to do so in such a profession as that of an Accountant, where occasions so frequently arise when it is necessary for him to decide quickly, and having decided to convince others that his opinion is the right one. In this connection, however, some valuable hints were given to candidates in a recent issue of *The Accountants’ Journal*, which may perhaps be advantageously reproduced here. They are as follow:—

“As we do not propose to do more at the present moment than “to offer suggestions of a general nature, there is no occasion for “us to distinguish between Intermediate and Final candidates, for, “obviously, it is already too late to profitably discuss the actual “work that ought to have been prepared, and our comments are “more likely to be more useful if we confine them to mere general “suggestions as to the best method of the candidate’s ensuring that “he presents himself before the examiners still possessed of all the “knowledge that he has acquired in the course of his preparation.

“ With regard to the subjects of Accountancy and Auditing, the candidate who hopes to do any good will not be dependent upon his memory merely, but rather upon the fact that he has rendered himself familiar with certain general principles of Accountancy; consequently, there is not very much revision that can be done in this direction. Nevertheless, the candidate will do well to look through a few volumes of *The Accountants' Manual* for stray problems in bookkeeping which have not already presented themselves to him, while a final revision of one of the standard textbooks on auditing will, probably, not be thrown away. With regard to bookkeeping, there are certain forms of account which the candidate would do well to commit to memory if he is not already familiar with them, namely, the statutory forms of Life Assurance, Gas, and Railway Accounts, and those prescribed by authority for building societies and local authorities. One or more questions upon Building Society Accounts may, it is thought, be confidently expected in view of the fact that the prescribed form has only recently been issued, and has already been the subject of some little discussion among Accountants.

“ The statutory forms of statements of affairs both in bankruptcy and in company liquidation should not be forgotten. They have formed the subject of questions in the past, and the mere fact that they have been allowed to slide for the past year or so is another argument in favour of expecting them again now.

“ The Inland Revenue forms relating to Executorship Accounts should also be mastered, especially by Final candidates, and the rates of estate duties, legacy duties, and succession duties should be committed to memory by all.

“ Coming back to the question of Auditing, there are two questions of importance that have recently arisen, which it is hardly likely that the examiners will altogether disregard. These are the liability of an auditor in respect of dividends paid out of capital, and the question as to whether or not an auditor is in all cases an

“ officer of the company. Upon the former point the decision in  
“ the Court of Appeal in *The London and General Bank* case should  
“ be most carefully studied, together with the comments that have  
“ appeared thereon in our weekly contemporary, and the candidate  
“ should endeavour to evolve from this decision some general  
“ principles as to how far it would apply in other cases not  
“ altogether upon the same footing.

“ Another question which, perhaps, may reasonably be looked  
“ for would be one having some bearing upon the profit question,  
“ with a view to enquiring as to how far dividend can safely be paid  
“ upon profits arrived at without making due reserve for depreciation  
“ and for the fact that certain items of so-called profit are not  
“ yet realised. In this connection Mr. Dicksee’s lecture upon  
“ ‘ Profits available for Dividend ’ will be found of value.

“ Reverting to the Bookkeeping papers, it may be remembered  
“ that candidates are fairly safe to be asked one or more of the  
“ following questions :—

“ The difference between double and single entry.  
“ The advantages of double entry.  
“ The object of Cost Accounts, accompanied by a specimen of a  
“ cost sheet.

“ There is also usually at least one question relating particularly to  
“ collieries or ironworks.

“ Respecting the Law papers, it is to be assumed that the candidate  
“ has by this time already made himself generally acquainted  
“ with the principles of the law which he is required to know, and  
“ further, that he will have prepared notes which in the aggregate  
“ will represent an epitome of the leading points upon which ques-  
“ tions are likely to be asked. It is a good plan to commit these  
“ notes to memory, provided the general principles underlying them  
“ are properly understood, but it is particularly desirable to avoid  
“ reproducing in an examination paper the actual words which the

" candidate may have transcribed from his text-book, for nothing is  
" more distasteful to the examiner than the impression that the  
" student has got up his law 'parrot fashion.' With this proviso,  
" however, it is a good plan to make out a further set of notes  
" relating to the more important points that are frequently asked  
" that to some extent tax the actual memory, as, for example, the  
" different kinds of acts of bankruptcy, the duties of a trustee with  
" and without the sanction of the committee of inspection, &c.  
" These the candidate may advantageously carry about with him so  
" that he may refer to them at odd minutes, and, in particular,  
" take a final look at them before entering the examination room.

" It may, perhaps, be said that this recommendation is no better  
" than an encouragement to mere cramming, but on the other hand,  
" there are many otherwise excellent accountants who would find  
" it simply impossible to retain so much detail in the memory for  
" any length of time.

" At the examination itself the candidate should make a point of  
" running through all the questions before attempting to answer  
" any; not necessarily perusing them in detail, but with a view to  
" seeing the general lines upon which they are framed. Those  
" which tax the memory should at once be dealt with while the  
" memory on the points included is still fresh; but, perhaps, the  
" most important rule of all is for the candidate to get down the  
" answers to those questions upon which he feels fairly safe before  
" he attempts those concerning which he is more doubtful.

" In the two Bookkeeping papers time is of paramount import-  
" ance, and this rule is therefore more than ever valuable; but  
" further it is important that when the candidate finds it impossible  
" to really finish the paper in the allotted time he should get down  
" as much as possible that hinges upon general principles, so that  
" if he is obliged to leave anything undone it may be something in  
" the nature of detail; but, on the other hand, he must guard  
" against only half answering each question. Questions which do

" not contain any mass of detail should be properly and thoroughly answered, all that is meant being that, if a question involves, say, calculations of interest, the question itself may be answered with the actual interest in blank, if there is no time to make the calculation ; or—to put it more generally still—when a question involves both bookkeeping and arithmetic, it will probably be better to do the bookkeeping first and leave the arithmetic, if there is no time to finish it.

" Much of the complaint that has been raised about the impossibility of finishing the Bookkeeping papers is, however, due to the fact that many candidates have not practised themselves in answering questions against time. This is a point which every coach knows the importance of, and should this be the case of any of our readers it is not even yet too late for them to look for some assistance upon this point ; but, at the same time, they must not expect wonders from even the best of coaches with so little time at his disposal.

" Of course, the great thing at these, and all other, examinations is for the candidate to keep his head, and this he is most likely to do by feeling confident that he is fairly well prepared before he presents himself for examination. Nevertheless, many candidates make the mistake of beginning their work in too much of a hurry. It is well to start somewhat deliberately, for the pace can easily be increased as the candidate goes on, and he will find that the assurance that he has answered, say, three or four questions satisfactorily before half the allotted time is over will have the effect of greatly increasing the confidence—and, consequently, the clearness of mind—with which he is able to approach the remainder."

The results of the Intermediate Examination are made known at the same time as the results of the other examinations of the Institute, that is to say, under ordinary circumstances the announcements are sent to the candidates by post on the evening following

the second Wednesday in January and July of each year. They may, however, usually be obtained a few hours earlier, upon application at the offices of the Institute; and occasionally they have not been made known until a somewhat later date.

It will doubtless be of interest, as affording some idea of the difficulty of the test imposed at this examination, if we conclude this chapter with the following table, showing the number of passes and failures at each examination since June 1883 (when the first Intermediate Examination was held), together with the percentage of failures upon the total number of candidates in each case:—

DATE OF EXAMINATION.		NUMBER OF CANDIDATES.			Percentage of Failures
			Total.	Passed.	
1883	June	..	12	10	16·6
	December	..	23	22	4·3
1884	June	..	53	36	32·0
	December	..	67	57	14·9
1885	June	..	32	27	15·6
	December	..	17	16	5·8
1886	June	..	34	27	20·3
	December	..	25	22	12·0
1887	June	..	32	19	40·6
	December	..	38	32	15·9
1888	June	..	46	42	8·7
	December	..	57	41	28·0
1889	June	..	58	47	18·9
	December	..	54	34	37·0
1890	June	..	65	56	13·8
	December	..	55	47	14·5
1891	June	..	57	33	42·1
	December	..	93	81	12·9
1892	June	..	64	50	21·8
	December	..	74	62	16·2
1893	June	..	74	56	24·3
	December	..	91	67	26·3
1894	June	..	90	61	31·8
	December	..	95	62	34·7
1895	June	..	100	85	15·0
	December	..	94	76	19·1
1896	June	..	97	73	24·7

## CHAPTER VI.

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### THE LAST HALF OF ARTICLES.

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THE Intermediate Examination being safely passed, there will remain a period of something under two and a half years (or, in the case of graduates, under eighteen months) before the student's articles terminate, and it is during this period that he will receive the most valuable part of his training. The Council has power to allow articled clerks to present themselves for the Final Examination at any date not more than three months *previous* to the termination of their articles; but, in the great majority of cases, this power is inoperative by reason of the fact that at least two years must have elapsed between the passing of the Intermediate Examination and the date of the Final Examination at which the student presents himself. It may therefore be taken that for practical purposes there will be the above-named interval between these two examinations, except in cases where the student has failed to pass his Intermediate at the first attempt. The power is sometimes convenient, however, when articles expire, say in July or in January, and the candidate would—but for these provisions—be obliged to wait until the following December or June before presenting himself for his Final Examination.

The actual work which will occupy the student during the latter half of his articles is of course not fundamentally different from that which engaged his attention at an earlier stage, but as a consequence of the experience which he has already gained it will have become possible for his principals to utilise his services more fully, and to thus afford him a greatly enlarged field from which to

gain experience. In the matter of audits, for instance, it is not improbable that he will be given charge of many that do not present unusual difficulties; and although no doubt final approval of the accounts will still be retained by the principals themselves, he will nevertheless have increased opportunities of seeing the work through to the finish, and of observing what points he has noted are considered of sufficient importance to be included in a report, and how the various queries raised are finally disposed of before the audit is completed.

With regard to bankruptcy matters also an increased amount of responsibility will no doubt be accorded to him; and, if the student shows a reasonable amount of aptitude, it is very likely that in this latter part of the articles he will have opportunities of acquiring a considerable insight, not only into the routine work in connection with bankruptcies and insolvencies, but also into those higher branches of this department which involve an investigation into the position of affairs generally, with a view to ascertaining the extent of the estate and the best means of bringing it in.

The writing-up of books in arrear or the keeping of books—whether Executorship or otherwise—which happen to be kept in the office, will also very likely devolve upon him at this period, and it may even happen—particularly if his articles were commenced somewhat late, and thus his age is not an objection—that the student may be appointed the secretary of a company whose registered offices are at his principal's place of business.

It is quite conceivable that the student may be nominally left in charge of any such matters as the foregoing, and the responsibility thus imposed upon him will undoubtedly be in itself a valuable education as teaching him confidence and self-reliance, apart from the opportunity which it will afford him, at the outset of his career, of treating on a business basis with strangers, who may not perhaps in all cases be as scrupulous as might be desirable. In addition it is probable that, if as a result of his past three years' study the

student has shown a disposition to make the best use of such opportunities as may be afforded to him, he will at this period be at least occasionally more closely associated with his principal in the most responsible work which may devolve upon the latter, such as the investigations which are necessary in connection with the inception of new companies, or on behalf of the shareholders of companies when the position of the latter is unsatisfactory, or in connection with receiverships, &c.; and for his own sake it is particularly desirable that the student should leave no stone unturned to arrive at the bottom of all the matters which may thus come before him, so that he may derive the fullest possible benefit from each matter that arises.

An increased opportunity of gaining experience will very likely be afforded to the student at this period of his career by his being deputed to take charge of an undertaking, on behalf of his principal acting as receiver, liquidator, or trustee in bankruptcy. Very probably this will entail a temporary residence in some locality more or less remote from the principal's office; and it will be the student's duty not only to nominally represent his principal, but also to assume command of the undertaking which he is placed in possession of, and to see that everything which goes on is not only legally in accordance with what ought to be taking place in view of all the circumstances, but also that nothing transpires (so far as it is in his power to prevent it) which does not accord with the interests of his principal. The proper discharge of such duties as these not only requires a somewhat intimate acquaintance with the law relating to the particular class of business, but also a very considerable amount of personal aptitude upon the part of the student; for, in the nature of things, it cannot be supposed that he has any detailed acquaintance with the particular class of business that is being transacted. It is, however, very important, not only in the interests of his principal, but from the point of view of the student's ultimate success in Accountancy, that he should spare no pains in the discharge

of the responsibilities which will thus devolve upon him. The opportunities which are afforded by such matters as these are such as he should on no account neglect, inasmuch as they naturally do not as a rule occur very frequently; while, on the other hand, it is precisely in such matters as this that the largest scale of remuneration is allowed to Accountants, provided only their duties have been satisfactorily performed, and it is therefore particularly in the interest of the student that he should acquire a facility for dealing with such matters during the period of his articles so that he may be fully equipped to discharge similar duties at a later stage of his career.

On the other hand, and without wishing to unduly discourage aspirants to Accountancy, it may be stated that it is just in respect of such matters as this that the most serious and the most personal risks are incurred by Accountants. If the student has failed to make use of his chances, or has not been afforded opportunities of acquiring an experience in connection with such matters, it is almost inevitable that when at a later stage he undertakes the position of receiver, liquidator, or trustee in bankruptcy, he will, either by omission or commission, render himself liable to some legal proceedings directed against him personally, which, under the most favourable circumstances, will have the effect of absorbing, in the costs necessarily incurred for his defence, the whole of the profit which he may have derived out of the particular matter in question, and the peculiar feature in connection with such matters is that the mere fact that the Accountant has throughout endeavoured to do his duty will have no bearing whatever upon his ultimate liability, still less will it have any effect upon the amount which he will be called upon to pay for costs, even in the event of his being successful. Those who aspire to become Accountants would do well to remember at the outset that it is the nature of their occupation that they should be continually placed in a position in which they are liable to become defendants in an action, and that, even if they are successful, it is inevitable that the

amount of costs which they are able to obtain from the other side should be considerably less than the amount which they personally have been called upon to expend. It is, therefore, of the greatest possible importance that the student, at this comparatively early stage in his career, should fully appreciate the vast importance of his responsibilities; for he may rest assured that, unless the necessary caution in this respect becomes a matter of *habit* with him, he will be quite unable to assume it at a later stage, when the consequences of his indiscretion fall upon him personally, rather than upon his principals.

For the rest, it may be stated that the period of leisure which may remain to the student between his Intermediate and his Final Examinations will be none too large for him to devote the utmost of the time available to preparation for the latter examination. Assuming that he has any ability at all, and that his principal has such a business as to afford him a reasonable amount of opportunity for acquiring experience, it is only in the nature of things to further assume that his time will now be very fully occupied; and by the term "fully occupied" it may be taken that not merely his office hours should be devoted to business, but also (to a great extent) that his leisure moments should be applied to considering the manner in which the work devolving upon him can be best achieved. It is therefore particularly important that the actual preparation for the Final Examination should not be delayed too long; but this brings us to the subject of the next chapter, which deals with the amount of preparation required from the student before he can safely present himself for his Final Examination.

## CHAPTER VII.

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### THE FINAL EXAMINATION.

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THE Final Examination prescribed by the Institute consists of six papers on the following subjects, viz.:—

- Bookkeeping and Accounts (including Partnership Accounts).
- Bookkeeping and Accounts (including Executorship Accounts).
- Auditing.
- The Rights and Duties of Liquidators, Trustees, and Receivers.
- Bankruptcy and Company Law.
- Mercantile Law and Arbitrations and Awards.

These papers occupy three days, usually the Tuesday, Wednesday, and Thursday in the third weeks of June and December. The time allowed for the papers on the two first-named subjects is two and a half hours, the others being each of two hours' duration. The examination fee is the same as for the Intermediate, namely, £2 2s., which must be paid when the student gives formal notice to the Secretary of his intention to present himself for examination. This notice must be made upon the prescribed form and forwarded to the offices of the Institute at least thirty days before the date of the examination, which date is always advertised some months ahead both in *The Accountant* and *The Accountants' Journal*.

It will be seen that the first four subjects are identical with those prescribed for the Intermediate Examination; but, of course, the questions set are of a more searching character, and require a closer and more practical acquaintance than is necessary for the Intermediate.

With regard to text books which the student may be recommended to study, in addition to those mentioned on page 36, the following will be found of considerable value :—

Whatley's *Accountant's and Bookkeeper's Vade-Mecum*, price 7s. 6d.

Child's *Partnership Accounts*, price 2s. 6d.

Caldicott's *Executorship Accounts*, price 2s. 6d.

Fox's *Company-Secretary*, price £1.

\*Kerr's *Receivers*, price 10s.

Ringwood's *Principles of Bankruptcy*, price 10s. 6d.

\*Buckley's *Companies Acts*, price £1 14s.

\*Stevens' *Mercantile Law*, price 10s. 6d.

\*Russell's *Arbitrations and Awards*, price £1 10s.

Those marked with an asterisk are practically indispensable, but a study of all is recommended to those candidates who seek to be "placed" in the Pass list. A systematic study of the current issues of *The Accountant* and *The Accountants' Journal* will also be found of great value.

In order to give a rough idea of the standard set for this Examination, the questions which were actually set in June 1896 are reproduced in these pages. They are as follow :—

#### BOOKKEEPING AND ACCOUNTS (INCLUDING PARTNERSHIP ACCOUNTS).

Q. 1.—What is the distinction between what is known in mining circles as the Cost Book system and the method of keeping Prime Cost Accounts in workshops and factories ?

Q. 2.—The transactions of a warehouseman or a retail dealer being so numerous that it is decided in future to balance separately each of several Bought and Sold Ledgers, what method would you adopt to carry out the intention ?

Q. 3.—The steamship *Barry*, managed by Messrs. Garth & Co., on behalf of her owners, started on May 1 1894 on her ninth voyage, sailing from Cardiff to Hong Kong, Nagasaki, Halifax, and Quebec, thence to Liverpool. Her eighth voyage ended with a balance to credit of £104 14s. 2d., which was brought forward to the ninth voyage. She earned the following freights:—On coals to Hong Kong, £2,641 17s. 0d.; on sugar to Nagasaki, £1,800 0s. 4d.; on silk to Halifax and Quebec, £8,344 18s.; on timber, Quebec to Liverpool, £3,030 0s. 4d. She arrived at Liverpool on November 30 1894. During her voyage the wages in connection with it amounted to £1,523 13s.; the coal bill to £2,220 17s. 9d. The premiums on her general insurances were at the rate of £2,400 per annum, and for leaving Quebec late in the season there was an extra insurance payable of £368 11s. The insurance on freights and protecting clubs amounted to £318 17s. for the round voyage.

The port charges and disbursements, including stores, were as follows:—At Cardiff, £873 12s. 6d.; at Port Said—outwards, £1,205 3s. 10d.; at Hong Kong, £529 4s. 2d.; at Nagasaki, £645 6s. 10d.; at Hong Kong—return, £51 6s. 11d.; at Aden, £8 12s. 2d.; at Port Said—return, £1,224 4s. 7d.; at Gibraltar, £45 6s. 10d.; at Halifax, £451 2s. 8d.; at Quebec, £294 0s. 4d.; at Sydney—coal bill, £43 9s.; at Liverpool, £826 8s. 9d.; management commission amounted to £1,115 17s. A balance of £207 15s. 6d. was carried to credit of next account.

Prepare the Voyage Account and show what was divided amongst the owners.

Q. 4.—The steamship *Barry* having made nine voyages with the following results respectively:—No. 1 profit, £1,800 0s. 1d.; No. 2 profit, £1,400 6s. 3d.; No. 3 loss, £1,500 4s.; No. 4 loss, £1,700 2s. 4d.; No. 5 profit, £2,001 8s. 2d.; No. 6 profit, £1,840 1s.; No. 7 profit, £2,716 0s. 1d.; No. 8 profit, £1,200 6s. 3d.; No. 9 profit, £3,271 1s. 4d.: prepare the ship's Profit and Loss Account showing what each owner will have received—there

remaining undivided, as stated in the preceding question, £207 15s. 6d. There were six owners:—A. with 10 shares, B. with 14 shares, C. with 8 shares, D. with 12 shares, E. with 4 shares, and F. with 16 shares.

Q. 5.—By the partnership deed of a manufacturing firm consisting of four members, A., B., C., and D., it was provided that in the event of the death of any partner before the expiration of the partnership by effluxion of time on December 31 1899, there should be paid to the legal representatives of the deceased the amount appearing to his credit on December 31 next preceding the death, together with interest thereon at 5 per cent. per annum to December 31 following the decease, and a share of the profits of the year of his decease corresponding to the number of days that he lived during it, calculated after the rate of the average of his share for the last three completed years, together with interest on such share from the date of death to the end of the year. The four partners shared profits equally, and each took interest on his capital at 5 per cent. per annum, but no interest was charged on the drawings, for each drew at the end of every month an equal sum in anticipation of profits. The surviving partners were to share the profits equally. C. died on June 30 1893. The profits of the three immediately preceding years had been respectively £14,000, £15,600 and £12,700. The proportion payable in respect of a deceased partner's interest and profits it was stipulated by the articles of partnership should be treated as a trade expense of the year in which he died. With the aid of the following Trial Balance of December 31 1893, taken out before interest, depreciation, and an amount in lieu of factory rent have been charged, prepare Manufacturing and Profit and Loss Accounts for 1893, allowing £500 for depreciation of plant, £50 for depreciation of office fixtures and furniture, and 5 per cent. on the amount of the freehold property (as appearing in the Trial Balance) for factory rent. Also construct a Balance Sheet showing what was due to the deceased's estate and what capital stood to the credit of each of the surviving partners.

## TRIAL BALANCE, DECEMBER 31ST 1893.

			£	s	d	£	s	d
A, Capital Account	..	..				24,000	0	0
B	"	..				22,000	0	0
C	"	..				20,000	0	0
D	"	..				18,000	0	0
A, Drawing Account	..	..	2,400	0	0			
B	"	..	2,400	0	0			
C	"	..	1,000	0	0			
D	"	..	2,400	0	0			
Stock, December 31st 1892	..	..	20,000	0	0			
(Note: Stock at December 31st 1893, was £25,000.)								
Purchases during year, after crediting								
Bought Returns	..	..	355,000	0	0			
Factory Wages and Salaries	..	..	50,000	0	0			
Discounts received and allowed,								
Balance of	..	..	..			4,000	0	0
Sales during the year, after debiting								
Sold Returns	..	..	..			422,000	0	0
Cash in hand and at Bank	..	..	5,900	0	0			
Bad Debts	..	..	3,200	0	0			
Bills Receivable in hand	..	..	3,000	0	0			
Office Salaries	..	..	1,800	0	0			
Office Expenses—General	..	..	500	0	0			
Sundry Debtors	..	..	82,800	0	0			
Travelling Expenses	..	..	2,000	0	0			
Factory Rates and Taxes	..	..	200	0	0			
Office Rent, Taxes, &c.	..	..	400	0	0			
Freehold Property—Factory	..	..	12,000	0	0			
Factory Plant	..	..	3,000	0	0			
Office Fixtures and Furniture	..	..	500	0	0			
Bills Payable	..	..	..			10,000	0	0
Sundry Creditors on Open Account	..	..	..			30,000	0	0
Interest paid	..	..	1,500	0	0			
			£550,000	0	0	£550,000	0	0

Q. 6.—What is the method usually adopted in large retail shops, such as drapers, grocers, or general stores, to ensure that the ready-money sales are duly accounted for to and by the cashiers?

Q. 7.—Draw forms for books which you would recommend for use in a stockbroker's office from which to post into the Ledger Accounts of clients and jobbers:—

- (1) Stocks or shares bought for clients.
- (2) Stocks or shares sold for clients.
- (3) Stocks or shares carried over for clients.

Q. 8.—M. agreed to take N. into partnership. N. was to bring in £7,000. Of this £2,250 was to be paid for a  $\frac{2}{5}$ ths share of M.'s profits, calculated at  $1\frac{1}{2}$  years' purchase of their average amount, and the remainder was to be N.'s capital. M. was to leave in the concern one-half of this purchase-money to make up his capital to half as much again as that of N. What were M.'s average profits, and what was his capital before the partnership commenced?

Q. 9.—E. and K. entered into partnership to construct certain works. E. had fixed plant which it was agreed should be used, and for which the firm should pay him 10 per cent. per annum on an assumed value of £10,000. The rest of the plant required had to be purchased, and it cost £28,000. The work took two and a half years to complete. When it was finished E. and K. joined L. in another contract, for which E.'s plant was not necessary, but that which belonged to E. and K. being suitable, it was acquired by E., K. and L. at half its cost price. What bookkeeping would these particular transactions as to plant involve in the accounts of E. and K.?

Q. 10.—It being the practice in a solicitor's office, when settling up the annual Partnership Accounts, to reckon costs as affecting Profit and Loss only to the extent of the bills actually delivered, and the disbursements (including counsel's fees) relative to pending

matters, how would the one and the other appear in the Balance Sheet—the disbursements being kept in a single account, discharged of them merely as the costs were rendered ?

### AUDITING.

Q. 1.—A firm expends large sums upon advertisements in order to form a business. Assuming that the expenditure thereon decreases annually until, in the seventh year, it reaches a point representing a normal annual cost under this head, how would you expect the amounts to be treated in each year's Balance Sheet? In your reply let £14,000 be the expenditure of the first year, and decrease £2,000 annually.

Q. 2.—It is provided in a company's prospectus that an annual sum shall be set aside out of profits to pay off debentures when due. How should the fund thus created be treated? What would be the nature of such a fund when all the debentures were paid off? Of what should it consist? What powers would the directors then have over it?

Q. 3.—What are an auditor's duties in connection with the verification of stocks on hand and the values attached thereto, and in what manner would you discharge such duties?

Q. 4.—When examining the securities of a company, representing investments in Consols, Indian and Colonial Government Stocks, railway and other companies' shares and debentures and bonds to bearer, what would you consider to be sufficient evidence of the holdings of the company and of the *bona fides* of the documents?

Q. 5.—What information would you expect to derive from the "Board Minute Book" of a company? Would you consider that entries in such book were, in all cases, sufficient authority for you to approve payments or transactions connected therewith? If not, state some exceptions.

Q. 6.—In a recent company decision it was pointed out, as one indication that the auditor had not properly examined the accounts, the fact that in the Trading Account the amount of gross profit inserted had the effect of raising the book value of the "Stock carried forward" to a sum which exceeded the stock brought in and all the purchases put together. State some circumstances in which it would be quite possible for a Trading Account to be correct under such conditions.

Q. 7.—What would be the nature of your audit (apart from details) of a Colliery Balance Sheet comprising the following items :—

LIABILITIES.

				£	s	d
Share Capital ..	..	..	..	..	120,000	0 0
Debentures ..	..	..	..	..	40,000	0 0
Sundry Creditors ..	..	..	..	..	5,000	0 0
Profit and Loss ..	..	..	..	..	11,000	0 0
				<hr/>		
				£176,000	0 0	<hr/>

ASSETS.

				£	s	d
Capital Expenditure, Cost of Pits, and Developments Under-ground. Lease expiring in 15 years..	..	..	..	..	100,000	0 0
Immovable Plant ..	..	..	..	..	17,000	0 0
Movable Plant and Machinery ..	..	..	..	..	23,000	0 0
Railway Wagons, Property of the Company ..	..	..	..	..	10,000	0 0
Railway Wagons, on Purchase Hire ..	..	..	..	..	2,500	0 0
Sundry Debtors—Less Reserves ..	..	..	..	..	20,000	0 0
Stocks on Hand ..	..	..	..	..	1,300	0 0
Cash Balances—At the Colliery ..	..	..	£75	0	0	
" " At the Bank ..	..	..	2,125	0	0	
			<hr/>	2,200	0	0
			<hr/>	£176,000	0 0	<hr/>

Q. 8.—What would be the nature of your audit (apart from

details) of a picture-publishing company's Balance Sheet comprising the following items :—

**LIABILITIES.**

				£	s	d
Share Capital .. .. ..	..	..	..	30,000	0	0
Sundry Creditors and Reserves .. .. ..	..	..	..	5,000	0	0
Advance by the Bank on security of Lease .. .. ..	..	..	..	3,000	0	0
Profit and Loss .. .. ..	..	..	£2,600	0	0	
Less Interim Dividend paid .. .. ..	..	..	600	0	0	
				<hr/>	<hr/>	<hr/>
				2,000	0	0
				<hr/>	<hr/>	<hr/>
				£40,000	0	0
				<hr/>	<hr/>	<hr/>

**ASSETS.**

				£	s	d
Lease of Premises, 20 years to run .. .. ..	..	..	..	7,000	0	0
Fixtures and Fittings .. .. ..	..	..	..	2,000	0	0
Stocks of Plates .. .. ..	..	..	..	12,000	0	0
Stocks of Engravings .. .. ..	..	..	..	6,000	0	0
Cost of Copyrights.. .. ..	..	..	..	8,000	0	0
Sundry Debtors .. .. ..	..	..	..	3,000	0	0
Cash Balances .. .. ..	..	..	..	2,000	0	0
				<hr/>	<hr/>	<hr/>
				£40,000	0	0
				<hr/>	<hr/>	<hr/>

Q. 9.—The system of payment by results is largely adopted. Thus, the salary of a manager may be (1) a fixed sum per annum, and (2) a proportion of the profits. The directors' remuneration may be on a similar basis. In both cases the profits are to be those certified by the auditor after charging all expenses. How would you treat these cases in the Accounts and Balance Sheet ?

Q. 10.—Under what circumstances would an auditor of a company, in your opinion, be justified in refusing to give any certificate whatever to a Balance Sheet ?

BOOKKEEPING AND ACCOUNTS  
(INCLUDING EXECUTORSHIP ACCOUNTS).

Q. 1.—In the event of your being called in to prepare a Profit and Loss Account of a business where the books had hitherto been kept on the simplest form of single entry, what would be your mode of procedure in the matter, and what would you consider absolutely necessary to be done so as to effect the object you had in view?

Q. 2.—Give a form of Cash Book of a wholesale and retail business, where the daily receipts from the latter are large and where the rule is strict as to paying all moneys daily, intact, into the bank, and as to the discharging of all liabilities by cheque—the payment of current expenses, wages and general expenses being made through a subsidiary or Petty Cash Book, so arranged as to avoid the posting of *detail* into the Ledger. Prepare a form of such Petty Cash Book, introduce a series of payments therein, and show in what way it is connected with the General Cash Book.

Q. 3.—In making up the accounts of a trading firm by whom policies of assurance had been effected on the lives of the respective partners, how would you deal with the premiums paid in respect of such policies? How would these appear in any statement asked for by the Commissioners of Income Tax, and what, if any, allowance should be made by them in respect thereof?

Q. 4.—In preparing the accounts of a limited company, how would you deal with expenses incurred, and payments made, in respect of the issue of debentures repayable over a period of years?

Q. 5.—What safeguards can you suggest against fraud in respect to the payment of wages made to the employés of large iron works or collieries? Give a brief account of the stages through which the preparation of a colliery wages sheet ordinarily passes.

Q. 6.—A colliery company hires a hundred wagons on the deferred

purchase system over a term of seven years, the rent being payable by quarterly instalments of £200, with an addition for repairs of £2 per wagon per annum. Assuming the wagon company's charge for interest on the cash price of the wagons to be at the rate of 5 per cent. per annum, make the Journal entries for the first year necessary to apportion the quarterly payments between capital and revenue.

Q. 7.—William Simpson, a Sunderland coal owner, sold to William Peace, of London, a cargo of 500 tons of coal at 8s. 9d. per ton f.o.b. for cash in twenty-one days from date of invoice. The invoice, amounting to £218 15s., dated February 1, was duly sent, but Peace, not finding it convenient to pay cash at the date fixed, proposed that Simpson should draw upon him at four months from February 21 for the amount of the invoice. The latter would only agree to this on being allowed to add to the amount of the invoice 1 per cent. commission and 5 per cent. per annum interest. This was agreed to ; the bill was drawn and accepted, and was met at maturity. Sketch the draft and fill in the acceptance ; and show, by Journal entry, how the transaction would appear in Simpson's books.

Q. 8.—William Denham and Henry Lloyd entered into co-partnership as marble merchants and contractors at Leicester, on January 1 1895. Lloyd was the managing partner, and having a thoroughly practical knowledge of the business, which Denham had not, his subscribed capital only amounted to £1,000, whilst the capital provided by Denham was £4,000. The covenants in the deed of co-partnership fixed the shares as equal, 5 per cent. was to be credited each partner in respect of his capital, and the drawings were limited, in the case of Denham to £500, and in that of Lloyd to £400, interest at 5 per cent. to be charged thereon, but Lloyd was to be credited with £25 each quarter as salary for management. The business was a success, and on December 31 last the Trial Balance of their books was as follows, but no interest had been

charged either upon the capital or upon drawings, nor had Lloyd been credited with his salary. The stock was taken and amounted to £3,750, and the drawings of the partners had been as follows:— William Denham, February 1, £50; April 1, £100; June 1, £50; August 1, £50; October 1, £100; and December 1, £50. Henry Lloyd, February 1, £25; March 1, £37 10s.; May 1, £62 10s.; June 1, £50; August 1, £25; September 1, £37 10s.; November 1, £62 10s.; and December 1, £50.

## TRIAL BALANCE.

			£	s	d	£	s	d
Salaries and Wages ..	..	..	1,750	0	0			
Rents, Taxes and Insurance ..	..	..	750	0	0			
Interest, Discount and General Charges ..	..	..	350	0	0			
Freight and Carriage ..	..	..	250	0	0			
Repairs and Depreciation ..	..	..	150	0	0			
Buildings and Erections..	..	..	2,500	0	0			
Tools and Plant ..	..	..	1,500	0	0			
William Denham—Drawings ..	..	..	400	0	0			
Henry Lloyd—Drawings ..	..	..	350	0	0			
General Debtors ..	..	..	4,650	0	0			
Goods and Working Account ..	..	..				6,150	0	0
General Creditors ..	..	..				1,500	0	0
William Denham—Capital ..	..	..				4,000	0	0
Henry Lloyd—Capital ..	..	..				1,000	0	0
			£12,650	0	0	£12,650	0	0

Prepare, through Journal entries, a Trading Account and Balance Sheet, giving effect to the respective covenants of the deed of co-partnership as to interest on capital and drawings, partner's salary and division of profits.

Q. 9.—William Heath died intestate on September 30 last, leaving a widow and two sons and one daughter. The widow took out letters of administration, and the net estate was, as to

personalty, £4,750, and as to realty, £3,500. Apportion these among the respective parties and state the rate of duty.

Q. 10.—Henry Johnson, a City merchant, died on January 1 last, leaving real estate of the value of £22,000, and his current going business as a leather and hide merchant. The testator left his wife a life interest in the real estate, together with his household furniture, which was valued at £1,750, with the reversion to his son. The business he left intact to the son, subject, however, to the payment by him of all costs attendant upon the proving of the will, and to the payment of the whole of the duties. The stock was taken and the books were duly made up, and the result was as follows :—

LIABILITIES.					
Creditors ..	..	..	..	..	£ 350 0 0
Balance, Surplus..	..	..	..	..	£ 5,650 0 0
					<hr/>
ASSETS.					
Stock of Goods ..	..	..	..	..	£ 2,250 0 0
Book Debts—Good	..	..	..	..	1,750 0 0
Bank of England	..	..	..	..	1,870 0 0
Office Furniture ..	..	..	..	..	130 0 0
					<hr/>

State what duties would be payable by the two parties respectively, and assuming such to have been paid, together with the solicitors' and valuers' costs, amounting to £250, show the exact value of the direct bequest to the testator's son.

#### RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES, AND RECEIVERS.

Q. 1.—What claims should be treated as preferential by a liquidator?

Q. 2.—On reviewing the claims sent in, a liquidator observes that interest is claimed by various classes of creditors. Which claims should he admit for interest ?

Q. 3.—A liquidator, under a voluntary winding-up, purposes to sell the business and goodwill of the company to another company, to be specially incorporated for that purpose. What steps must he take, and what is the position of shareholders who do not wish to be parties to the scheme ?

Q. 4.—What is an “act of bankruptcy”? Give six examples.

Q. 5.—To whom has a trustee in bankruptcy to render his accounts for audit, and what is his duty with respect to such audits ?

Q. 6.—Under what circumstances may a trustee in bankruptcy employ a solicitor, and what preliminary steps must be taken before such employment is commenced ?

Q. 7.—Explain the following terms in bankruptcy :—

- (a) Mutual debts.
- (b) Mutual credits.
- (c) Mutual dealings.

And when is the line of “set-off,” as a rule, to be drawn ?

Q. 8.—Give the substance of the usual clauses in a deed of arrangement referring to the duties of the trustee.

Q. 9.—When do the duties of a receiver in Chancery terminate ?

Q. 10.—How does a receiver in Chancery ascertain what special duties, if any, he may have to perform during his receivership ? Should he find it necessary to expend sums which, in his opinion, are not authorised, what steps should he take to ensure such payments being allowed him on passing his accounts ?

## BANKRUPTCY AND COMPANY LAW.

Q. 1.—A receiving order is made against an individual in respect of a private and personal debt. The debtor is a member of a firm. What will be the rights of creditors to whom he is indebted jointly with the other members of the firm (1) as to proof of debts, (2) as to voting, (3) as to dividends?

Q. 2.—What do you understand to be the meaning of the term "protected transaction" when used in connection with bankruptcy?

Q. 3.—A, B and C are partners in a trading concern. B is adjudicated bankrupt. Explain the relative positions of A and C, and the trustee in B's bankruptcy with regard to the administration of the partnership affairs.

Q. 4.—A draws a Bill of Exchange which B accepts for A's accommodation, in return for which A deposits with B certain securities to cover the risk B runs of having to meet the bill. A and B both become bankrupt, the bill having in the meantime come into the hands of C for valuable consideration, but without knowledge of the deposit of securities to meet the bill. Will C be entitled to the benefit of the securities deposited with B? Give the grounds for your answer.

Q. 5.—What is a "double proof" in bankruptcy? Give an example.

Q. 6.—Mention any requirements of the Companies Acts specially applicable to banking companies.

Q. 7.—Contrast briefly the position as regards rights and remedies of debenture-holders whose debentures are held in connection with a debenture trust-deed with that of debenture-holders where there is no such deed, assuming the actual security to be in other respects similar in both cases.

Q. 8.—The directors of a company in good faith register a forged

transfer in favour of a *bona fide* purchaser for value. What is the legal position (1) of the true owner of the shares, (2) of the purchaser, and (3) of the company? Give your authority.

Q. 9.—In what circumstances may a person whose name has been placed on the A list of contributors claim to have it transferred to the B list, and what would be the practical benefit to him of such a transfer?

Q. 10.—(a) A petition to wind up a company may be presented by any member of the company.

(b) Any creditor, on proof that there is a debt owing to him by the company, is entitled as of right to a winding-up order.

Are these accurate legal propositions, and if not, what qualification do they require?

#### MERCANTILE LAW AND THE LAW OF ARBITRATIONS AND AWARDS.

Q. 1.—For what reasons is it advisable to present a bill of exchange for acceptance? Is such presentation ever necessary to render the parties to the bill liable?

Q. 2.—Explain what is meant by the discharge of a debt by novation.

Q. 3.—A., B. and C. carry on business in partnership. A. dies, and B. and C. continue to carry on the business of the firm with its capital and assets, without any final settlement of accounts as between the firm and A.'s estate. What are the rights of A.'s estate against the firm? To what extent would your answer be affected by knowledge that the articles of partnership gave the surviving partners an option to purchase the interest of the deceased partner?

Q. 4.—Are any, and if so, what, formalities necessary for the valid appointment of an agent?

Q. 5.—A. enters into an agreement with B. for the purchase of 6 dozen bottles of wine of a specified kind at 20s. a dozen. B. delivers to A. 12 dozen bottles of the same wine. What are A.'s rights and liabilities?

Q. 6.—An agent in breach of his duty applies money of his principal (a) in paying unauthorised gratuities, (b) in purchasing a house for himself. Seven years after he has ceased to act as agent, the principal discovers the misapplications and claims restitution. What defences, if any, can the agent set up?

Q. 7.—What is meant by a "wager policy"? Is a wager policy valid, and, if not, why not?

Q. 8.—A. on the 31st May 1896, and in consideration of B.'s not suing X. for repayment of the sum of £1,000 owing by X. to B., verbally agrees with B. to become surety for the repayment of that sum. On the 5th June 1896, A. without any express arrangement, hands B. a note in the following terms:—

"To Mr. B.

"I hereby acknowledge that I have guaranteed the payment of £1,000 owing to you by X.

"(Signed) A."

B. afterwards sues A. on this guarantee. A. sets up by way of defence, (1) that the contract was made verbally on the 31st May and so is not enforceable, (2) that even if in other respects the note satisfies the requirements of the Statute of Frauds, it is an insufficient memorandum, as the consideration is not therein stated. Can either of these defences succeed?

Q. 9.—What are the chief disadvantages attending a parol submission to arbitration?

Q. 10.—State generally on what disputes a submission of “all matters in difference” will empower an arbitrator to adjudicate. Will the power under such a submission be restricted by the fact that the submission contains recitals of certain specific matters?

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It has already been stated that, in order to ensure success at the Intermediate Examination, the candidate should be a skilled book-keeper, having a thorough knowledge of the general principles of double entry, and some (but not an exhaustive) acquaintance with straightforward propositions of law relating to bankruptcy and the liquidation of companies, together with a slight knowledge of the law relating to receiverships. For the Final Examination it may be stated in general terms that the candidate is required to possess a thorough knowledge of all points in connection with accounts, such, for instance, as those arising in connection with the formation of joint stock companies, Cost Accounts for manufacturing concerns, income tax returns, the adjustment of Partnership and Executorship Accounts, &c.; indeed, there is practically *no* limit to what may be asked for by the examiners in this connection. With regard to auditing also, a very wide range of knowledge will be expected; but the probability is that the student will experience less difficulty in this connection, inasmuch as the text-book recommended will enable him to supply any deficiency that there may have been in his practical experience, whereas the questions which may arise in connection with bookkeeping are practically endless, and in its more advanced phases bookkeeping is a science which can really only be learnt by actual experience. For the legal papers

a more intimate acquaintance with the law is naturally required than that which sufficed for Intermediate candidates. The field, moreover, is enlarged by the paper on Bankruptcy and Company Law, so that not merely insolvencies are dealt with, but also all questions of law relating to the formation and carrying on of joint stock companies. It is not anticipated, however, that these papers will offer any serious difficulty to the student who has had a reasonable experience, and has carefully studied the text-books recommended; the real difficulty in connection with the legal portion of the examination lies with the paper on Mercantile Law. This is so large a subject that in a paper of ten questions, which has also to deal with the Law of Arbitrations and Awards, it is practically impossible for even one question to be asked upon each of the main subjects. For example, mercantile law includes the law relating to the following matters:—Bills of exchange, sale of goods, agency, insurance, shipping, guarantees, carriers, contracts, goodwill, together with questions on partnership law and other matters, which are already covered in the five previous papers. The probability is that not more than one-half of these subjects will really be dealt with in any one examination paper; nevertheless, the student is required to have, at all events, a rudimentary knowledge of the whole law mercantile, and this involves upon him a considerable amount of labour. He should, however, guard against looking upon it in the light of an affliction; for the probability is that in years to come he will find a thorough knowledge of the mercantile law even more valuable to him than any of the other subjects prescribed for the examination of the Institute.

It has been stated in a previous chapter that the student who is articled to an office where he has reasonable opportunities of acquiring experience ought to be able to pass his Intermediate Examination without any further preparation than a careful study of the text books recommended. The same can, however, hardly be said of the Final Examination, for the questions are naturally

more searching, and it thus becomes increasingly difficult for mere reading to take the place of practical experience, while in the nature of things it is impossible to expect that, in any one office, opportunities will be afforded of absolutely exhausting every possible phase of Accountancy. It is, therefore, strongly recommended that the candidate for the Final Examination should obtain the assistance of a coach, and this not merely in order that he may make more certain of his ultimate success, but also that he may derive a greater and more permanent benefit from the time and energy which it is necessary for him to expend in preparing for the examination.

A good coach can, to a very great extent, assist the student by so directing his studies as to save him from wasting time upon unprofitable matters; and also, by a few judicious explanations, can clear up points of difficulty from time to time as they arise, which would otherwise have the effect of not only wasting the student's time, in endeavouring to himself arrive at a solution, but would also, perhaps, prevent him from actually appreciating the importance of subsequent points, merely because (in the absence of a proper explanation) he is unable to appreciate the precise bearing of other matters upon which the question at issue directly hinges.

The results of the Final Examination are published at the same time as those of the Intermediate and Preliminary; those candidates who obtain more than a certain number of marks are awarded certificates, and placed on the pass list in order of merit, and prizes are awarded to the first few candidates if their papers are of sufficient merit to justify the examiners in recommending the Council so to do.

As a conclusion to the present chapter, it will doubtless be of interest if we append a table showing the number of candidates who have attended each examination since 1883, together with the number of passes and failures, and the percentage of the latter on the total:—

DATE OF EXAMINATION.		Total.	NUMBER OF CANDIDATES.		Percentage of Failures.	
			Passed.	Failed.		
1882	June	..	42	29	13	30·9
	December					
1883	June	..	29	23	6	20·7
	December		34	18	16	47·1
1884	June	..	55	40	15	27·3
	December		64	34	30	46·9
1885	June	..	70	43	27	38·6
	December		75	50	25	33·3
1886	June	..	82	47	35	42·7
	December		168	112	56	33·3
1887	March	..	105	77	28	26·6
	June		18	10	8	44·4
	December		20	14	6	30·0
1888	June	..	30	22	8	26·6
	December		29	20	9	31·0
1889	June	..	28	23	5	17·9
	December		36	24	12	33·3
1890	June	..	41	31	10	24·4
	December		44	34	10	22·8
1891	June	..	51	22	29	56·8
	December		55	44	11	20·0
1892	June	..	56	28	28	50·0
	December		79	59	20	25·3
1893	June	..	52	38	14	26·4
	December		88	69	19	21·5
1894	June	..	68	55	13	19·1
	December		63	38	25	39·6
1895	June	..	80	58	22	27·5
	December		70	55	15	21·4
1896	June	..	72	54	18	25·0

From these figures it will be seen that there is a considerable variation from time to time; but that, in general, there is a slightly higher percentage of failures than at the Intermediate Examination.

## CHAPTER VIII.

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### AFTERWARDS.

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HAVING passed his Final Examination, it still remains for the student to apply to the Council of the Institute for admission as an Associate of that body. This application may be made at any time subsequent to the passing of the examination and must be upon the prescribed form, which sets out that the examination has been passed by the student, and is accompanied by a certificate from his principal, to the effect that the latter considers the applicant a fit and proper person to be admitted as a member of the Institute. These applications are considered by a Committee of the Council, which meets quarterly, early in the months of February, May, August and November, in each year; if, therefore, the student wishes to at once avail himself of the privileges of membership, it is desirable that his application should be made as soon as possible after he has been notified that he has passed the Final Examination. The Applications Committee has the right to exercise its discretion in the admission of applicants; but, for all practical purposes, it may be taken that admission follows almost as a matter of course, in the absence of any grave reason to the contrary. The applicant will be notified in due course that he has been elected, and that his certificate will be issued upon payment by him of an entrance fee of ten guineas, and his subscription for the current year, which is two guineas per annum, if he intends to practise in the metropolis, or one guinea per annum if he practises outside the metropolis, or is not in practice. If these are not paid within three months from the date of the passing of his application by the Committee,

his election becomes void ; but it is still open to him to again apply for admission.

The question which now arises is as to the opening which lies before the student, when he has passed through the course prescribed by the Institute and been admitted as a Chartered Accountant. This is, of course, a question which is of very serious importance to all who propose embarking upon the profession ; but, on the other hand, it is one which can be only even partially answered with the very greatest diffidence. There are no exclusive privileges attached to membership of the Institute, and thus the position of each individual member is very much that of all other persons who seek to obtain a livelihood by the exercise of their brains ; that is to say, the income which they are able to earn will depend almost entirely upon the amount of intelligence and experience which they are able to bring to bear upon their work. It is especially because the amount of their experience is such an essential feature in their prospects in the early future that particular importance has been attached, in the earlier portion of this work, to the desirability of being articled in an office where there are favourable opportunities of acquiring a general, as well as a valuable, experience, in the different branches of Accountancy ; but it by no means follows that, when these chances have been afforded the student, everything has been gained. On the contrary, it may safely be stated that very much more depends upon the manner in which the student has used his opportunities than upon the precise nature of those which have been afforded to him. It is true that the most attentive student cannot become an expert all-round Accountant in an office which does not afford him a reasonable scope ; but it is even more true that many pass through offices which do afford them these opportunities without ever really acquiring a proper knowledge of the duties appertaining to their profession ; and this, notwithstanding the fact that they are able—although, perhaps, only after one or two failures—to cram up a sufficient amount of knowledge to enable them to pass the Examinations of the Institute.

It is a common error among those who have just been admitted as Chartered Accountants that they have learned all that is to be learned in connection with their profession ; but, with the exception of a few of the most obtuse, it may safely be stated that this idea is soon outlived, and that the longer an Accountant is in practice the more he realises the fundamental truth that the student who has just passed his Final Examination has really only begun his education as an Accountant. That is to say, the position at which he has arrived is not that he has learnt all that is to be learned, but rather that his mind has been so trained that—if he possesses the necessary ability—he is now in a position to pick up and utilise such experience as he may afterwards gain in the course of his career, and so eventually become—what at the present moment he emphatically is not—a competent Accountant.

Still, in spite of these limitations, which it has been thought right to impress upon the reader at this point, it is incontestable that the student who has recently passed his Final Examination, after serving his articles, is in a position to command a salary as clerk to a practitioner, which, although necessarily varying with his ability, is not likely, under ordinary circumstances, to be less than £100 per annum. In a very short time it is not unlikely that this figure may be doubled, and, of course, in all cases special ability will command an exceptional remuneration. As a clerk to a Chartered Accountant it may safely be stated, however, that there are not many positions in the whole of the profession which command a salary exceeding, say, £300 per annum. This to a man possessed of any real ability is not a large sum, although, of course, it compares very favourably with what might be earned by a man of from twenty-one to twenty-five years of age in many other walks of life ; indeed, the probability is that it would not satisfy the ambition of any Accountant possessed of anything more than mediocre abilities. It is well, however, to warn the youthful practitioner against the mistake, which is very commonly made, of at once setting up in practice on the strength of the promises of friends, even on the rare

occasions when those promises take the more tangible form of actual work. The kindest of friends naturally experience a difficulty in placing such important work as that which usually devolves upon an Accountant in the hands of one who obviously has no considerable experience of his profession, and in whom they are transparently personally interested. It, therefore, generally happens that the goodwill of friends, however numerous, is but a poor nucleus for a professional connection in the near future. But, however this may be, the fact remains that even if the young Accountant is able, in the earlier years of his practice, to get enough work to keep him occupied, the class of work which will be entrusted to him is, in all probability, not of such a description as will enable him either to enlarge his experience or to increase his ability as an Accountant. On the other hand, it is more than likely that much of his time will remain unoccupied, so that even if he does not become actually rusty there is a serious danger of his getting into a groove, and, at the best, hindering the completion of his education as an Accountant, which, as has already been mentioned, is now really only about to commence. Under ordinary circumstances it may safely be stated that he will be doing by far the wisest thing, as a rule, if he remains in the office of his principals, for a time at least. He will find that the years which he has spent in their office under articles have given him a certain sort of standing, both in the office and with the firm's clients, which he could not readily attain elsewhere at the outset ; and thus his opportunities of being placed upon important work—which is precisely the class of work which he most stands in need of at this period—are far greater than if he were to go into practice on his own account, or even in the majority of cases, than if he were to obtain a position as clerk in another office. It may, of course, happen that the circumstances of his principals are such that, after his term has expired, they are unable to give him that position in their own office which would enable him to continue his education as an Accountant ; and in that case it is, no doubt, best to take the bull by the horns at once, and to seek a situation

elsewhere ; but here, again, we repeat that, until the young Accountant has attained a far greater experience than that which he possessed at the close of his articles, it is very inexpedient for him to look solely, or even mainly, to the remuneration which is offered to him for his services. It is far more important he should seek a situation where increased responsibilities and further opportunities of enlarging his experience will be afforded him. It will be quite time enough for him to think about actually making money when he has really acquired the necessary skill in this direction.

How long after the passing of the Final Examination it is likely to take the young Accountant to become a really qualified Accountant is a matter which is even more uncertain than the extent of his qualifications at the conclusion of his articles. It may, however, be stated in general terms that, if he has any real ability and has had good opportunities, at the end of another two or three years he ought to be in a position to inspire sufficient confidence as a principal, and then it will be time enough for him to consider the best means of starting in practice.

For the reasons which have already been mentioned, we think that the balance of argument is usually against him starting in practice for himself, no matter what connection he may expect to derive from the influence of his friends ; but this, of course, is only a general suggestion, and does not by any means apply under all circumstances. Leaving this case upon one side, however, the alternative lies between purchasing a practice from a retiring or deceased Accountant, purchasing a share in an existing firm, and being presented with a share in a firm. At first sight it might appear that the latter was the object to be aimed at in all cases where possible; but, in point of fact, the advantages are by no means all upon one side. It is not often that business men give anything away, and Accountants are no exception to the rule ; if, therefore, they do actually give a share of their profits to a new partner without receiving any direct consideration for the same, the probability is

that they impose such conditions that, in the long run, the advantage lies with them rather than with the new partner. Here, again, the proposition is put in general terms ; and, no doubt, there are individual cases where very advantageous offers are made to clerks who have proved themselves to be really desirable acquisitions to the firm.

The remaining alternatives are the purchase of a share or of the whole of a practice, and in this connection it need hardly be said that the balance of advantage clearly lies in favour of purchasing a share, as in this case the former proprietors still remain to give the firm the weight of their influence and connection ; while the case of a young Accountant purchasing the whole of a business is not altogether unlike that of one who attempts to set up in practice for himself unaided.

With regard to the question of the income which an Accountant in practice may expect to earn from the exercise of his profession, it is impossible to give even the most elastic estimate of what may reasonably be expected. There are, probably, few professions in which the incomes of practitioners vary more greatly. There are certainly none in which larger incomes can be made by competent practitioners ; but, on the other hand, Accountancy is not like many other professions, in that under all ordinary circumstances the practitioner of any real ability whatever is generally reasonably sure of a livelihood—if not as a principal at least as a clerk.

This, perhaps, is one of the great advantages which Accountancy offers as a profession, although it must be admitted that it is not one which is likely to attract entrants at the start ; but the fact remains that while many qualified barristers, lawyers, architects, engineers, etc., find it impossible even to obtain a situation which will afford them a reasonable livelihood, it is rare in the extreme to find a qualified accountant with even a moderate amount of ability who cannot command a “living wage.” So far as it is a factor which is likely to be taken into account by those who decide on

Accountancy as a profession, it is no doubt satisfactory to know that the profession is not so overcrowded as to afford no shelter whatever for its comparative failures ; but we take it that it is rather the enormous prospects which it offers to the successful that afford the most powerful inducement to new entrants. As we pointed out in the earlier pages of this volume, Accountancy as a profession is certainly not more than 150 years old, and even now it is still in its infancy. During the last 10 or 15 years numerous attempts have been made to filch some of the profits which have formerly been earned by Accountants for the benefit of the Government, but experience has now shown that these attempts at Officialism, as a competitor of professional Accountancy, are failures, simply for the reason that the State has been unable to secure the services of persons sufficiently capable to compete successfully with Accountants. There is therefore but little doubt that the principle of Officialism will not be further developed, at all events in the near future. But whether this be so or not, the enormous growth of commerce is in itself enough to provide Accountants with sufficient employment at remunerative scales for many years to come, and this at a time when most other professions appear to be at a standstill or to be going back. In the long run the effect of this will, no doubt, be that the profession of Accountancy will attract to itself no inconsiderable proportion of the intellect of coming generations, and then in due course (like other professions) it will be over-stocked, not only with mediocrities and failures, but also with capable practitioners ; but at the present time this is far from being the case, and it may in general terms be stated that it is only to idlers and triflers that Accountancy, as it at present stands, is unable to afford a reasonable future.

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## APPENDIX A.

FORM OF ARTICLES OF CLERKSHIP (AS SETTLED BY THE  
INSTITUTE).

\* Parent or guardian.

during and unto the full end of the said term of years And that he the said shall not at any time during such term cancel obliterate spoil destroy waste embezzle spend or make away with any of the books papers moneys or other property of the said Accountant his executors administrators or assigns or of his partner or partners or of any of his Clients or Employers which shall be deposited in his hands or which shall come or be entrusted to his care custody or possession and shall not make copies of any books or papers belonging to or in the custody of the said Accountant or of his Partner or Partners and that in case the said shall act contrary to the last mentioned Covenant or if he the said Accountant his executors administrators or assigns or his Partner or Partners or all or any of them shall suffer any loss damage or prejudice by the misbehaviour neglect or improper conduct of the said the said his executors or administrators shall indemnify the said Accountant and his Partner or Partners and all or any of them therefrom and make good and reimburse to the said Accountant and his Partner or Partners and all or any of them the amount or value thereof AND FURTHER that the said shall and will at all times keep the secrets of the said Accountant and his Partner or Partners and all and every of them and of his and their Clients and Employers and shall not divulge the names or affairs of such Clients and Employers and shall readily and cheerfully obey and execute his and their lawful and reasonable commands and shall not depart or absent himself from the service or employ of the said Accountant at any time during the said term without his consent first obtained but shall at all times during the said term conduct himself with all due diligence honesty and propriety AND the said doth hereby for himself covenant promise and agree to and with the said Accountant his executors administrators and assigns that he the said

shall and will faithfully serve the said Accountant at all times during the said term as a Clerk ought to do in all things whatsoever In consideration whereof and of the sum of

by the said

to the said Accountant paid at or before the sealing and delivery of these presents (the receipt whereof the said Accountant doth hereby acknowledge) the said

for himself his

heirs executors and administrators doth covenant promise and agree to and with the said

his executors and administrators by these presents that he the said Accountant shall and will accept and take the said

as his Clerk during the said term and shall and will throughout the said term to the best of his ability and power afford him the said

such reasonable opportunities and work as may be required to enable him to acquire the art science and knowledge of a Professional Accountant AND if the said

shall have well and faithfully served his said intended Clerkship shall and will at the expiration of the said term give to him the Certificate required by Bye-Law 55 of the Institute of Chartered Accountants in England and Wales for the purpose of his being admitted as a Chartered Accountant PROVIDED ALWAYS And it is hereby expressly agreed and declared between and by the said Accountant and the said

that if the said Accountant shall die during the said term his executors or administrators shall within one calendar month after his death at the option of the said

return a proportionate part of the premium or make due provision for the completion by the said

of the residue of the said term as Articled Clerk to some other Chartered Accountant without any further expense to the said

IN WITNESS whereof the said parties to these presents have here-

unto set their hands and seals the day and year first above written

Signed Sealed and Delivered by }  
the said }  
in the presence of }

## APPENDIX B.

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### INSTRUCTIONS ISSUED TO CANDIDATES AT THE EXAMINATIONS OF THE INSTITUTE.

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#### PRELIMINARY EXAMINATION.

The Examinations will commence on each day at 11 a.m.

Each candidate will have a number assigned to him, and will take his seat at the place at the table indicated by such number.

The hours of the Examinations will be—

1st and 2nd days—11 to 1—2 to 4—4.30 to 6.

3rd day—11 to 1—2 to 4.

The answers are to be written on the paper supplied to the candidates, and such answers should be written concisely, and in a plain and legible manner, on one side of the paper only; each answer to be commenced on a separate sheet. Each sheet must bear the number of the candidate and the name of the subject, but the name of the candidate must not appear.

When the candidate has finished his answers, he will fasten the sheets together in numerical order, placing in front the printed half-sheet previously given to him, and will deliver them to the Member of the Council presiding at the Examination.

After the Examination has commenced, no candidate is to leave the room (without permission) until he shall have delivered in his answers, and any candidate who leaves the room without permission will not be allowed to return.

No candidate will be allowed to communicate with, receive assistance from, or copy from the paper of another; and in case

this rule is infringed, the names of both such persons will be struck out of the list of candidates.

Candidates must not retain any book or manuscript during the Examination, but must leave the same with the examiner, before the hour for the commencement of the Examination. Any candidate infringing this rule will be liable to be disqualified.

Any candidate found consulting any book or manuscript during his Examination will be disqualified.

Candidates may retain the questions except when requested to return them by the Member of the Council presiding at the Examination.

The examiner having declared the Examination over, candidates must immediately cease writing.

The results of the Examination are communicated by post shortly after the second Wednesday in January or July. No information can be afforded earlier.

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#### INTERMEDIATE, FINAL, AND EQUIVALENT TO FINAL.

The Examinations will commence on each day at 11 a.m.

Each candidate will have a number assigned to him, and will take his seat at the place at the table indicated by such number.

The answers are to be written on the paper supplied to the candidates, and such answers should be written concisely, and in a plain and legible manner, on one side of the paper only; each answer to be commenced on a separate sheet. Each sheet must bear the number of the candidate and the name of the subject, but the name of the candidate must not appear.

When the candidate has finished his answers, he will fasten the sheets together in numerical order, placing in front the printed half-sheet previously given to him, and will deliver them to the Member of the Council presiding at the Examination.

After the Examination has commenced, no candidate is to leave the room (without permission) until he shall have delivered in his answers, and any candidate who leaves the room without permission will not be allowed to return.

No candidate will be allowed to communicate with, receive assistance from, or copy from the paper of another; and in case this rule is infringed, both such persons will be disqualified.

Candidates must not retain any book or manuscript during the Examination, but must leave the same with the examiner, before the hour for the commencement of the Examination. Any candidate infringing this rule will be liable to be disqualified.

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## APPENDIX C.

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### HINTS ON PREPARATION FOR THE EXAMINATIONS OF THE INSTITUTE.

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THE following hints to candidates are reprinted (by permission) from *The Accountants' Journal* :—

THE vacation being now over—except so far as those exceptionally favoured individuals, the lawyers, are concerned—it behoves us all to steadily settle down to work again, and this remark applies with peculiar emphasis to those who propose presenting themselves as candidates for one of the Examinations of the Institute in December next. We intend, during the intervening period, to give our readers the benefit of a few hints as to the most effective means of preparation to be adopted, but we should like it to be very clearly understood that we do not propose to unfold any scheme that will obviate the necessity for engaging the services of a coach, still less do we pretend to be able to disclose any royal road to ultimate success.

Nevertheless, it is, we believe, in our power to prove of some little use to the attentive student by suggesting the best mode of applying the time at his disposal for preparation, and, at a later stage, by giving him a few hints as to the best method of utilising the time available at the Examinations themselves.

In the first place, we should like to point out that there is now, in addition to the authorised list of books "recommended" by the Council of the Institute, no scarcity of really useful works upon the various subjects covered by the Examinations, and the candidate who wishes to be up to date must not be slow to avail himself of the increased facilities afforded thereby. The following list will, we

venture to think, be a valuable supplement to that issued by the Institute of Chartered Accountants :—

<i>Subject.</i>	<i>Intermediate.</i>	<i>Final.</i>
Bookkeeping.	Dicksee's Bookkeeping for Accountant Students.	Dicksee's Bookkeeping for Accountant Students.
		G. E. S. Whatley's Accountant's and Bookkeeper's Vade-Mecum.
Partnership Accounts.	Pollock's Digest of the Law of Partnership.	Pollock's Digest of the Law of Partnership.
		Child's Partnership Accounts.
Executorship Accounts.	Whinney's Executorship Accounts.	Whinney's Executorship Accounts.
		Caldicott's Executorship Accounts.
Auditing.	Dicksee's Auditing.	Dicksee's Auditing.
Rights and Duties, &c.	Eustace Smith's Summary of Company Law.	Kerr's Receivers.
	Stevens' Bankruptcy.	(See also under <i>Bankruptcies and Companies.</i> )
	Foulks-Lynch's Rights and Duties.	
Bankruptcy Law.		Stevens' Bankruptcy.
		Ringwood's Principals of Bankruptcy.
Company Law.		Eustace Smith's Summary of Company Law.
		Buckley's Companies' Acts.
Mercantile Law, &c.		Palmer's Companies.
		Stevens' Mercantile Law.
		Russell's Arbitrations and Awards.

Those students who are desirous of taking honours will find a further list of valuable works dealing with various branches of the Accountancy subjects in Dicksee's "Auditing."

With regard to the amount of time to be devoted to each subject,

this will, of course, be a matter primarily in the discretion of the coach, and, apart from this, it is difficult for us to lay down any definite lines in these columns, as so much naturally depends upon the aptitude and experience of each individual student. Still, as a general basis, the following time-table may be suggested for the ensuing month :—

<i>Day.</i>		<i>Intermediate.</i>		<i>Final.</i>
Monday	.. ..	Bookkeeping.		Bookkeeping.
Tuesday	.. ..	Partnership Law.		Bankruptcy Law.
Wednesday	.. ..	Auditing.		Company Law.
Thursday	.. ..	Company Law.		Auditing.
Friday	.. ..	Executorship Law and Accounts.		Partnership Law and Accounts.
Saturday	.. ..	Bankruptcy Law.		Mercantile Law.

The first month may be advantageously disposed of in this manner, carefully reading the various text-books and making copious notes in separate note-books devoted to the various subjects; a portion of the time will also be set apart to answering papers set by the coach, and in carefully digesting his corrections thereof.

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By the time that our present issue is in the hands of our readers, there will be something less than two months available to candidates in which to complete their preparation for the forthcoming Examinations of the Institute in December, and those who wish to make sure of a pass will do well to make the best of the time that still intervenes. In our last issue we gave a list of those works which, in our judgment, would be found most suitable for the purpose; and we also gave a time-table, showing how we thought the time at their disposal might be best employed. For the ensuing month we suggest the following time-table, which will be found to vary somewhat from the arrangement which we suggested before, giving increased attention to those matters which appear to claim more of the student's time, while slightly reducing that to be devoted to the less important subjects :—

<i>Day.</i>	<i>Intermediate.</i>	<i>Final.</i>
Monday ..	Bookkeeping.	Executorship Law and Accounts.
Tuesday ..	Partnership Accounts.	Receivers and Arbitrations.
Wednesday ..	Auditing.	Company Law.
Thursday ..	Bankruptcy Law.	Auditing.
Friday ..	Executorship Accounts.	Partnership Law and Accounts.
Saturday ..	Company Law.	Mercantile Law.

In general lines the mode of preparation which we recommended for the past month may be still pursued with advantage, for it will be quite time enough with our next issue to change the mode of reading, and acquiring fresh knowledge, for a process of revision—or the reviewing of knowledge which has already been acquired, and the focussing thereof in an easily available form. In the meantime, however, we may recommend those students who have sufficient time at their disposal to be able to go further afield, to make a careful study of the recent decisions relating to the liabilities of auditors; while, with regard to all subjects except actual book-keeping, it will be found very convenient to make a full epitome of the contents of each of the works which we have recommended. It is as well, however, to caution students against using these epitomes (when made) for purposes of revision rather than the original work; their chief use is to impress the matter therein contained upon the memory, and for purposes of *final* revision, immediately before the Examination takes place. On no account should they, when once constructed, be looked upon as the text-books, which are to supersede those from which they have been compiled.

With these few notes we think that we may safely leave candidates for the forthcoming Examinations for another month, but with our next issue we shall have several further important hints to give them.

---

DURING the remaining weeks at the disposal of candidates for the examinations of the Institute next month, it is desirable that

they should devote themselves carefully to filling up any gaps in their reading up of the various subjects prescribed, but in particular must they direct their attention to a general revision of their previous work, especial care being bestowed upon those subjects in which the candidate feels that he is weakest.

For practical purposes it may be taken that Intermediate candidates have still three weeks available. These may profitably be employed as follows :—

<i>Day</i>	<i>First Week</i>	<i>Second Week</i>	<i>Last Week</i>
Monday	..Partnership Law (Revision)	Company Law (Re- vision)	Rights and Duties of Liquidators, &c. (Re- vision)
Tuesday	..Rights and Duties of Liquidators, Trustees, and Receivers	Rights and Duties of Liquidators, &c.	Weak subjects
Wednesday	Bookkeeping	Ditto	Bookkeeping (Revision)
Thursday	..Bankruptcy Law	Weak subjects	Executorship Accounts (Revision)
Friday	..Executorship Law (Revision)	Partnership Accounts (Revision)	Weak subjects
Saturday	..Auditing (Revision)	Auditing (Revision)	Weak subjects

To candidates for the Final Examination it may be taken that there are still (roughly) four weeks available. These may profitably be employed as follows :—

<i>Day</i>	<i>First Week</i>	<i>Second Week</i>
Monday	..Executorship Law (Revision)	Partnership Law (Revision)
Tuesday	..Mercantile Law	Company Law
Wednesday	..Receivers (Revision)	Mercantile Law (Revision)
Thursday	..Bankruptcy Law	Bookkeeping
Friday	..Arbitrations (Revision)	Bookkeeping
Saturday	..Auditing	Auditing (Revision)

<i>Day</i>	<i>Third Week</i>	<i>Last Week</i>
Monday	..Executorship Accounts (Revision)	Executorship Law and Accounts (Revision)
Tuesday	..Weak subjects	Bankruptcy Law and Receivers (Revision)
Wednesday	..Partnership Accounts (Revision)	Company Law (Revision)
Thursday	..Weak subjects	Mercantile Law and Arbitrations (Revision)
Friday	..Bookkeeping (Revision)	Partnership Law and Accounts (Revision)
Saturday	..Weak subjects	Weak subjects

Among other matters candidates should commit the following to memory :—

#### Rates of Death Duties

- ,, Bill Stamps
- ,, Legacy Duties
- ,, Succession Duties

#### Forms of Statement of Affairs (Bankruptcy)

- ,, „ (Company Liquidation)
- ,, Deficiency Account (Bankruptcy)
- ,, „ (Company Liquidation)
- ,, Account of Receiver in Chancery

#### List of deductions allowed from profits for income tax purposes

- „ „ not allowed from profits for income tax purposes
- „ powers of trustee with sanction of committee
- „ „ without „
- „ acts of bankruptcy
- „ causes for which bankrupt's discharge may be suspended
- „ authorised investments for trustees

The back numbers of *The Accountant's Manual* may also be consulted with advantage.

We strongly recommend all candidates to limit their preparation during the time of the Examination to one hour an evening at the

outside. A better plan still is to do *no* work in the evening, but half an-hour's final revision each morning before the Examination. On no account should any work whatever be attempted during the luncheon intervals, and it may be profitably remembered that no advantage is gained by devoting what might be a valuable period of rest and recuperation to discussing the papers with other candidates.

One last word, and we have finished. Read the whole paper through first. Then start answering those questions which present the least difficulty first, commencing with those requiring the shortest answers and taking those involving more time afterwards. Be sure that you answer *all* questions you are certain of before attempting *any* you are doubtful about, and when you do come to deal with the latter take those involving the shortest answers first, leaving the long and doubtful ones until quite the last. On no account argue with the examiner, but if you are really in doubt whether to take a question one way or the other, assume that what you think is most probable is intended, and append to your answer a simple note to the effect that if so-and-so is intended its effect upon your answer will be so-and-so.

With these few hints we leave the December candidates to their fate, merely wishing them such success as their assiduity and merits entitle them to. We trust, however, that our remarks will have been found of value to those who have given them careful attention, and acted upon our suggestions.

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